Start the week with...



Christopher Parkes

Dressing down in America

Management, Page 12



**Economics Notebook** 

Too many graduates in 2001?

Robert Chote, Page 10



Samuel Brittan

Bundesbank's role in Emu

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World Business Newspaper

**MONDAY FEBRUARY 12 1996** More IRA attacks feared Major to end Sinn Féin contacts unless ceasefire resumes

#### Two Algiers car bombs kill 17 and injure at least 90

Two car bombs ripped through Algiers, killing at least 17 people and wounding 93 in the city that is caught in conflict between security forces and Moslem fundamentalists. The second bomb exploded outside a building housing the main offices of major Algerian newspapers and an earlier explosion shat-tered the town hall in Bab El-Oued, a working class district. Algerian authorities have blamed a series of four bombings in the past week on Moslem militants fighting to topple them. An estimated 50,000 people have been killed since violence broke out in 1992 after the authorities cancelled a general election dominated by the Islamists.

Holbrooke warning to Bosnia factions



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US envoy Richard Holbrooke (left) warned Bosnia's factions they had no choice but to implement the Dayton peace accord fully. "We are here to insist on full compliance with Dayton. no exceptions, no changes," Mr Holbrooke said in Sarajevo, Last week the Bosnian Serb army broke off contacts

with Nato after the Bosnian government detained several Bosnian Serbs as suspected war criminals. Four of the detainees were freed on Saturday.

Anti-virus software company sold: The husband and wife who developed the Dr Solomon's Anti-Virus Toolkit software package have sold their company to a management buy-out for reputedly between £20m and £30m (\$46m). The buy-out places the Solomons among Britain's most successful software entrepreneurs. Page 8; Media Futures, Page 15; European PC sales up 20 per cent, Page 22

Doubts over Caspian oil deal: An accord on transporting the oil that will soon be flowing in huge quantities from the Caspian Sea could be jeopardised by an apparent hardening of Russia's position over the sea's legal status, according to senior British officials, Page 2

Zhirinovsky begins Russian poli race: "A sea of vodka", three white horses and ringing church bells announced the unofficial beginning of the race for the Russian presidency as Vladimir Zhirinovsky, the flamboyant ultra-nationalist, launched his own campaign with a showy sliverwedding celebration. Page 2; Lex. Page 20

Eurotunnel, the Anglo-French company which operates the Channel tunnel rail link between Britain and France, plans to spend up to £400m (\$516m) over four years improving passenger facili-ties. Page 20; Spanish link proposed, Page 14

Italian phone truce on verge of collapse: A fragile truce between Italy's two cellular phone companies is likely to fall apart today over a key element of the accord regulating the country's digi-tal network. Page 2; Bundestag dials up trouble with telecoms deal, Page 2

Lisbon spells out privatisation plans: Portugal's Socialist government is to undertake an extensive privatisation programme that aims to raise more than Es380bn (\$2.4bn) this year. Page 2

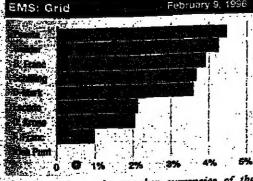
Cable TV seeks Dutch soccer coverage: The Royal Dutch Football Association has unveiled plans to set up a separate television sports channel to broadcast Dutch football matches. This would effectively shut out public television from the couniry's most popular sport. Page 2

De Beers cartel's diamond trade queried: The international diamond cartel organised by De Beers of South Africa has a far smaller share of global trade in rough or uncut diamonds than it claims, according to an independent analysis of the market, Page 21

Banks to be picked for Polish sell-off: Poland is about to appoint the investment banks which will manage the international public offering of state copper producer Polska Miedz, expected to value the company at about \$2bn. Page 21

New impetus to search for allens: The recent discovery of three planets orbiting distant stars has given new impetus to the scientific search for extra terrestrial intelligence. Page 3

Beropein Monetary System: The Spanish pescia has week took advantage of a lull in the debate over a single European currency to climb four places to the top of the EMS grid. The order of conferences was otherwise unchanged, with the sead between strongest and weakest widening alignity. France's central bank trimmed the intervention rate to 3.90 per cent. Currencies, Page 29



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

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THE FINANCIAL TIMES LIMITED 1996 No 32,906 Week No 7

## UK set to press ahead with Ulster poll plans

Kampfner and Jimmy Burns in London and John Murray Brown

The UK is expected to press on with its controversial plans to hold elections in Northern Ireland, in spite of stiff opposition from Dublin, as the British and Irish governments made desperate attempts to salvage the peace process following Friday's IRA bombing in east London.

Two people died and more than 100 were injured in the explosion, which damaged buildings in the city's Docklands area. Amid concern from the secu-

rity services that there may be further IRA attacks, there were also warnings last night from officials and senior Tories of an escalation of terrorist violence and possible loyalist retaliations, which could extend to the streets of Dublin for the first time. Following a meeting last night Peace Crisis Pages 6-7

■ Adams' credibility shattered ■ No 10 says talks can continue

■ Ring of steel closes on City

■ Tourists shrug off fear

Time to take stock ...... Page 19 Editorial Comment ...... Page 19

with senior British ministers, Mr John Major, the UK prime minister, will today tell the House of Commons that ministerial contact with Sinn Fein will cease unless the IRA renews its ceasefire. A similar ban on talks with Sinn Féin, the IRA's political wing, is being adopted by Dublin. Mr Major will also reiterate

talks on a Northern Ireland settlement, in spite of comments yesterday from his Irish counterpart, Mr John Bruton, that such a move "immediately after the resumption of violence would pour petrol on the flames". A colleague of Mr Major said it would be "naive" to expect the

British government to soften its Mr Bruton and Mr Major talked

agreed that "the priority is an immediate end to violence and restoration of the ceasefire", a Downing Street official said. They will meet later this month.

Mr Bruton yesterday criticised Mr Major for presenting the IRA with only two options over the past fortnight: to hand over weapons or agree to elections.

development", adding that cer-

tain "basic social laws banning

forced labour and child labour or

yesterday afternoon, when they for a meeting involving all groups to resolve the peace deadlock, modelled on the Dayton, Ohio conference which brokered an end to the Bosnia conflict.

> In the wake of the South Quay bombing, British ministers are understood to have been advised by intelligence agencies to expect up to four bombings on the mainland in the next 10 days. "The

commissioner of London's Metropolitan Police, said it was "extremely concerned" further attacks could occur "any time, anywhere" on the mainland. Loyalist politicians have been

urging their supporters to remain calm, but Mr Billy Hutchinson, of the Progressive Unionists. a fringe loyalist party with links to

Continued on Page 20



The scene of devastation in London's Docklands after Friday's blast, which claimed two lives. British ministers are understood to have been advised by the intelligence agencies to expect up to four bombings on the mainland over the next 10 days

Picture: Ashley Ashwood

#### Japan and Brussels wants trade tied to labour rights S Korea in stand-off over island

By William Dawkins in Tokyo and John Burton in Seoul

A group of senior MPs from Japan's ruling coalition yester-day cancelled a scheduled visit to South Korea because of a bitter diplomatic dispute over the ownership of a small island in

The delegation pulled out after South Korean president Kim Young-sam refused a planned meeting with them set for today, and issued an unusually harsh statement denouncing a formal protest by Tokyo over the Korean construction of a landing jetty on the island known as Tok-do in Korean and Takeshima

"Once again, Japan has stirred the anger of the entire Korean people by making a preposterous claim" to the island, said the president's statement. "We, the Korean people, will firmly reject the claim and resolutely deal with any problems arising from

The dispute brings the often prickly relations between Japan and Korea to another low. It is the latest in a recent series of island disputes in the area and comes when nationalistic feeling in Japan and South Korea is

Japan claims the disputed island under an agreement with Seoul in 1905, when it began to assert colonial rule over the Korean peninsula. Seoul regards the agreement as invalid by claiming it was signed under duress. South Korea, which formally

claimed sovereignty over the island in 1952, has for the last 40 years stationed a police garrison on the outcropping of rocks, otherwise inhabited only by a middle-aged fishing couple.

The issue, a long-standing irritant, has come to a head with Seoul's alarm at Japanese preparations to declare a 200-mile exclusive economic zone around its territory, including the Continued on Page 20

Battle lines drawn, Page 4 | ger, is to make a scaffold for the

## Move may anger partners in developing countries

that an elective process remains

ting minimum standards for social conditions in international trade pacts, in a move likely to provoke an angry response from trading partners in developing

The Commission will call on the European Union to take a "progressive stance" on the issue of social standards by asking for a working party to be set up under the World Trade Organisation to look into the question.

Last week Asian officials warned that inclusion of such issues as human rights and heads of state in Bangkok next month.

The Commission's call comes in a strategy paper on trade policy drawn up by five commissioners including Sir Leon Brittan, the EU's chief trade negotiator. The paper is designed to prompt debate on what the EU will table at the WTO ministerial meeting in Singapore in September.

EU officials said there was resistance from Sir Leon to committing the EU to a tough stance on social standards.

democracy could damage the first Until early last year, Sir Leon association and of collective bar protectionist gambit" labour standards should be nised within the International

Labour Organisation". included in the debate on world The paper argues that "it is trade policy. However more recently he has accepted that the issue needs to be debated, if only only natural that such basic social aspects should be considered in evaluating relations with to pacify those advocating action. The paper says that "some non-Community countries or practices, such as preventing defining policies with a strong social component", and that it is freedom of association and using legitimate to discuss social matforced labour, cannot be justified in terms of the level of economic

ters in the multilateral context". The document says the view that some practices were unacceptable was gaining ground in international forums. The fact guaranteeing the freedoms of

cussion "should finally mean that this is no longer seen as a But the paper adds there is no

question of depriving developing countries of their comparative advantage in labour costs. The document also points out that it is "better to discuss these matters in a multilateral forum"

The British government has opposed linking social standards to trade policy and is expected to resist the Commission's drive to take a tougher stand. However, other countries, particularly France, have campaigned for minimum social standards in international trade agreements.

## New body parts 'will be grown from human cells'

By Clive Cookson in Baltimore

Doctors will soon be able to replace almost any part of the body with implants engineered from living cells and synthetic materials, the American Association for the Advancement of Science was told yesterday.

and biotechnology companies said clinical trials or animal tests were already under way with replacement skin, bones and cartilage for joints, and with key parts of the heart, kidneys, pancreas and other vital organs. Looking further ahead, Profes-

sor Robert Langer of the Massachusetts Institute of Technology raised the prospect - in 20 or 30 years' time - of an "artificial womb" which would sustain premature babies for several weeks until they were ready to face the world.

The brain is the only organ whose replacement will remain off-limits for the foreseeable

future. But scientists expect soon to learn how to grow individual human perve and brain cells, and microelectronic devices will also substitute for some nerve tissues. The basis of much tissue engineering, according to Prof Lan-

new organ out of a special biode gradable plastic. This is then seeded with living cells, which pervade and eventually replace

Tissue engineering is furthest advanced with skin. Dr Gail Naughton, research director of Advanced Tissue Sciences, told wounds and deep skin ulcers.

#### Researchers from universities the association, meeting in Balti-more, that her California-based company would seek product licences from the Food and Drug Administration this year for sheets of living skin. They are used to treat severe burns, Advanced Tissue Sciences Lloyd's of London Press. obtains its skin cells from the foreskins of circumcised babies. "One foreskin will provide enough cells to give 250,000 sq ft six football pitches - of new skin." Dr Naughton said. The company is working on several other tissue engineering projects, including a 50:50 joint venture with Smith & Nephew. the UK medical devices company, to develop living cartilage for Total funding raised orthopaedic applications, such as replacing damaged knees. £84.3m & Managed Dr Robert Lanza, research director of another biotechnology and arranged by 3i plc company, Massachuseits-based and the Corporate Continued on Page 20 Finance practice of CONTENTS Coopers & Lybrand World Bond Markets \_\_\_\_ 26 EQUITY Markets ...... FT/S&P-A Wild Indices ..... 24 Managed Funds \_\_\_\_\_ 39,33 WE WANT YOU TO SUCCEED

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Money Markets ... Stare information ....... 30.31 World Stock Merkets .

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## Doubts arise over Caspian oil deal



Cable TV

net Dutch

seeks to

coverage

soccer

popular sport.

some threatened to re-examine

commercial broadcasting.

News of the proposed chan-

nel also met with anger from

the country's public broad-

caster, NOS, which is the

Dutch equivalent of the

British Broadcasting Corpora-

The NOS, together with two commercial television compa-

nies, had bid Fl 900m (£360m)

for the rights to broadcast

league football matches over

However, the proposed chan-nel has outbid them with an

offer of Fl 1.04bn over the

same period. At the same time,

Dutch cable companies would

be charged Fi 2 a month per

subscriber to transmit the

sport channel's programmes.

This fee would probably be

passed on to consumers, whose

current cable television

charges come to around FI 15

Most Dutch households

receive all their television via

cable and typically pay for a

basic service as part of their

areas rely on television aerials for reception and they would be cut off from watching foot-

ball matches if the proposals

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GERMANY:

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today with the KNVB.

By Bruce Clark, Diplomatic Correspondent

An accord on transporting the oil that will soon be flowing in huge quantities from the Caspian Sea could be jeopardised by an apparent hardening of Russia's position over the sea's legal status, according to senior British officials.

The issue interests Britain because an agreement over pipeline routes is crucial for the fulfilment of an \$8bn (£5.1bn) contract to extract oil off the coast of Azerbaijan. signed in 1994 by a consortium led by BP.

Officials said Russia, after

autumn, had recently shown signs of reverting to its previous tough stance on the Cas pian. This held that any drilling should be subject to approval from all states border-

This position, which has also won support from Iran, would imply a refusal to recognise the 1994 contract with the government of Azerbaijan.

Under a compromise struck four months ago between the rival proposals of Russia and Turkey, it was announced that the initial Caspian output would be split between two pipelines - one going through

Chechnya to the Russian port of Novorossiysk, and one

through Georgia.

By acceding to that deal,
Russia seemed to be stepping
back from its insistence that no drilling could proceed until the status of the sea, and its resources, was agreed by all

states in the region.

But Moscow's latest signals, conveyed in high-level contacts with London, have suggested that it is edging back to its earlier stance. "We hope Rus-sia does not go back to that line because it could damage its own interests by doing so," said one senior UK official. He said western companies.

faced with Russian obstruc-tion, could be forced to rely entirely on the Georgian line although the projected cost of completing this was five times larger, at \$250m, than that of repairing the Russian one.

The British concerns have surfaced against a background of delicate exchanges between London and Moscow about a possible meeting between Mr Malcolm Rifkind, the UK foreign secretary, and his new Russian counterpart, Mr Yevgeny Primakov. A successful meeting would help to mend fences after the lukewarm reception Mr Rifkind received in Moscow last September.

## Italian phone truce on verge of collapse

A fragile truce between Italy's two cellular phone companies is likely to fall apart today over a key element of the accord regulating the country's GSM digital network.

Under rules set by the Italian government, Omnitel Pronto Italia, which was awarded the econd GSM licence in competition with the state-sector group Telecom Italia Mobile TIM), was to be allowed use of TIM's network for a two-year period once its own network had penetrated 40 per cent of Italian territory. TIM disputes the claim by Omnitel, which launched its commercial service in December, that this has been achieved and says it awaits confirmation by the telecommunications ministry.

The dispute has become so heated that the two operators do not even agree on the date that the so-called "roaming" accord was meant to be triggered. TIM said it should have come into effect today while Omnitel believes it should start tomorrow.

Omnitel said at the weekend: If TIM does not provide 'roaming' we shall do everything we can to protect our rights and those of our clients." Mr Francesco Caio, the company's managing director, will announce in Milan today a new tariff structure for subscribers. and TIM is expected to follow suit with its own promotional

tel paid to win the licence.

Omnitel, which has recruited

about 70,000 subscribers, comphone owners using TIM's analogue and digital services, said that the ministry accepted it had reached 40 per cent pen-etration and had sent TIM several letters of confirmation

TIM said that the letters did not furnish the official proof required and that it had again pressed the ministry to clear up the matter. It doubts whether Omnitel could achieve 40 per cent penetration with the 550 radio stations it has set up so far, TIM, which launched its GSM service last April, has 1,800 stations.

The row may have repercussions on an agreement in principle between Mr Agostino Gambino, the telecommunications minister, and the European Commission on a compensation package for Omnitel This accord, on the basis of "roaming" and reduced fees to be paid by Omnitel for connection to state-controlled telephone lines, followed the Commission's decision last year to initiate legal proceedings against Italy for discriminating against Omnitel. TIM had not been asked to pay the same L750bn (£312m) fee that Omni-

The accord has not yet been implemented because it was linked to Italy initiating legislation on the EU directive liberalising personal and mobile telecommunications. With a new government still to be formed this has not yet been

## Bundestag dials up trouble with telecoms deal

By Michael Lindemann in Bonn

A decision to award part of the German Bundestag's telecommunications business to a US company rather than Deutsche Telekom has unleashed a wave of protests.

Allowing WorldCom, a US telecoms operator, to manage all the lower house of parliament's domestic telephone traffic - which is expected to save about DM500,000 (£220,000) annually - was described by the Súdkurier, a regional paper in southern Germany, as "extremely unlair".

The German Post Association, a group representing the civil servants who make up half of the workforce at Deutsche Telekom, the state-owned operator, said the decision showed a "first-class lack of instinct" and would cost thousands of lobs.

Whether it is cars, trains or televisions, Germans like to buy goods they have made themselves and are still suspicious of imported ones. The same goes for telecoms hardware and services.

However, given the quality of German telecoms products, especially features such as digital services, German producers are having trouble persuading clients that they are as good as the foreign competi-

WorldCom's coup has startled not only Deutsche Telekom, the monopolist which is to be partially privatised this year. Other leading German companies are wondering why they did not come up with the

"Even if WorldCom are not earning any money at all on the deal it would be worth it in terms of the free publicity," said a senior executive at Mannesmann, which operates Germany's biggest private mobile phone network.

Deutsche Telekom while insists that it has lost the contract because the committee which regulates the telecoms market - made up partly of Bundestag members recently refused to allow the company to introduce discounts of 40 per cent for corporate clients until something was done to make calls more attractive for private clients. A government decision in mid-March is expected to approve the corporate discounts if Deutsche Telekom does some

thing for private clients. Meanwhile, the company's confidence about recovering the Bundestag contract, which can be cancelled at 14 days notice, may not be misplaced. "The moment Deutsche Telekom can make a new offer we will begin talks," said a Bundestag spokeswoman.

If Deutsche Telekom can recover the contract it will go some way to make up for a dismal start to the year - and soothe those horrified that an institution as German as the Bundestag could prefer to do business with the Americans.

#### Vodka, white horses and church bells launch nationalist's campaign for presidency

## Zhirinovsky begins Russian poll race

By Chrystia Freeland In Moscow

By Ronald van de Krol in Amsterdam "A sea of vodka", three white horses and ringing church bells yesterday announced the unofficial beginning of the race The Royal Dutch Football Association (KNVB) unveiled plans at the weekend to set up for the Russian presidency as a separate television sports Mr Vladimir Zhirinovsky, the channel to broadcast Dutch flamboyant ultra-nationalist, football matches. This would launched his own campaign effectively shut out public telewith a showy silver-wedding vision from the country's most celebration.

With the populist flair which The new cable channel has become his political tradewould be run with the assismark, Mr Zhirinovsky kicked tance of Philips, the Dutch off his campaign with an Orthodox blessing of his 25 years of marriage, attended by the faithful of his Liberal Demelectronics group which has extensive cable TV interests, ING Bank and Endemol, a big Dutch television producer. ocratic party and Mr Jean-The three private sector Marie Le Pen, leader of the companies would each hold a

France's National Front.
The "sea of vodka" and shower of coins and baubles stake of 21 per cent in the new sports channel, which has not yet been given a name. The KNVB itself will take a 10 per which Mr Zhirinovsky's aides distributed among several hundred bystanders seemed to The proposed move, which guarantee the maverick politihas already encountered politician a renewed burst of public cal opposition, comes at a time of debate in other European attention. But Mr Zhirinovsky's eye-catching antics are countries about the extent to likely to be upstaged later this which commercial television week, when the two heavyshould be allowed to dominate weight contenders for the presidency - President Boris Yelt-Dutch politicians immedisin and Mr Gennady Zyuganov, ately questioned the fairness the Communist leader - are of taking football broadcasts expected to announce their

out of the public domain, and Although Mr Yeltsin has not vet said whether he will stand subsidies made available to in the June presidential elections, he and his entourage Others called for the KNVB have dropped broad hints that to pay market rates for police surveillance at matches if the he plans to launch a bid for football association entered re-election this Thursday, when he visits his home town Government officials have of Ekaterinburg, in Russia's requested an urgent meeting industrial heartland.

In a carefully orchestrated display of the "will of the people" reminiscent of the Soviet Many of Russia's most promi-

Primakov reassures Christopher over supply of reactors to Iran

Mr Warren Christopher, US secretary of state, has expressed his "very strong concern" to Mr Yevgeny Primakov, Russia's foreign minister, over Moscow's supplying nuclear technology to Iran, AFP reports from Helsinki. Russia has agreed to sell two nuclear reactors, which the US fears could help Iran to develop nuclear

During three hours of talks on Saturday in the Finnish capital "I outlined my very strong concern over Russia tightening relations with Iran," Mr Christopher said. However, he added that he had received assurances that Russia was "also concerned about Iran developing weapons of mass destruction" and "does

not want to enhance Iran's [nuclear] capacity".

Mr Primakov said that he had reiterated Russia's opposition to
the proposed expansion of Nato, and believed that "we must find
the right solution for both sides [Russia and the US] and the central and eastern European countries".

Both described their talks as "good and productive". Mr Christopher said "areas of co-operation far outweigh those that we disagree on" and that he found "the Russian minister's comments reassuring". Mr Primakov declared himself willing to find solutions "without going into confrontation, as this would be extremely dangerous".

era, the ground for Mr Yeltsin's formal announcement has been prepared by a series of public appeals for him to stand from groups ranging from the metalworkers' union to Russia's powerful oil barons.

Another sign of intense backroom preparations for Mr Yeltsin's re-election bid came last week when Mr Victor Chernomyrdin, the prime minister and potentially one of Mr Yeltsin's strongest rivais, dismissed speculation that he would be a candidate and pledged his fealty to Mr Yelt-

But Mr Yeltsin's hope of rallying the support of all of Russia's anti-Communist forces, as he did at the peak of his popu-larity in 1991, remains elusive. nent liberal politicians feel that, by pursuing a bloody war in Chechnya and making populist high-spending promises, Mr Yeltsin has betrayed the cause of democracy and mar-

This disenchantment threatens to split the liberal vote, weakening Mr Yeltsin in favour of Mr Grigory Yavlin-sky, a leading reformest politi-cian and declared candidate, or even Mr Boris Nemtsov, the popular governor of Nizhny Novgorod, who is being publicly pressed to stand in the

By contrast, Mr Zyuganov,

leader of the Communist Party of the Russian Federation, is dency altogether. expected to earn the official endorsement of most of Russia's leftwing parties at a Com-

munist congress on Thursday. Most leftwing splinter groups have already thrown their support behind him, and he has also been backed by a few

marriage confirmation ceremony vesterday

A crown is raised over Vladimir Zhirinovsky's head during his

nationalist parties.

As the front-runner in most opinion pulls and the representative of Russia's largest and best organised political party. Mr Zyuganov is Mr Yeltsin's strongest challenger for the presidency. But Communist

the president by overturning the current constitution and four months.

In the long run, the Commu-nist party's aim of replacing the strong presidenty intro-duced by Mr Yeltsin with the parliamentary or "Soviet" system, which offered a pretence of democracy in the USSR, could have an even greater officials say their longer-term impact on Russia's political goal is to abolish the presi- future than the presidential race which is likely to be the "We will revoke the post of focus of domestic and international attention for the next

adopting a new one through a

public referendum," Mr Gen-nady Selezniev, the Commu-

nist speaker of the parliament, said last week.

## Lisbon spells out privatisation plans

By Peter Wise in Lisbon

Portugal's government is to undertake an extensive privatisation pro-gramme that aims to raise more than Es380bn (£1.6bn) this year. Disposals in 1996 are to include global offers of Portugal Telecom, Electricidade de Portugal, the national power company, and Cimpor, a cement producer. Employees, small savers and Portuguese abroad are to be encouraged by discounts and tax incentives to invest in the planned privatisation of 22 companies over two The centre-left Socialists'

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passionate.

the home

state of

Spain's

prime minis-

Felipe Gonz-

ález, is likely to be crucial

month's gen-eral election.

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next

dle-sized towns.

the late 1960s, served in the

cabinet as labour minister for

five years and has headed

Andalucia's Seville-based regional government since

1990, admits the PP and the

Socialists are "neck and neck".

In 1993, when Mr González

won his fourth term in office,

the Socialists won over Im more votes than the PP. That

lead came mainly from Anda-

lucia, where they gained

850,000 more votes than the

But in the 1994 European

centre-right

Socialist than that of the Social Democrat government, which lost last October's general election. Focused on banks, sales of companies nationalised after a left-wing revolution in 1975 have raised more than Es1,300bn over the past seven years. This made Portugal the world's third largest privatis-ing country after Britain and New Zealand, according to the Organisation for Economic Co-operation and Development.

The new government's programme centres on industry and services, including steel, shipbuilding, oil, chemicals,

management and motorway construction and operation. Mr António Guterres, prime

minister, told parliament that privatisation would promote greater social justice, equality of opportunity and economic integration. State companies in Portugal,

often holding monopolies, have held back the development of competition and through their losses have often been a drain on public resources. Privatisations are expected

to begin with an international offer of up to 24 per cent of Portugal Telecom. The sale of

plan is more ambitious in both mining, gas, paper pulp and 27 per cent last June raised Es132bn offer from Banco Porscope and forecast revenue tobacco, as well as airport Es1439n. The government will tugus de Investimento. later sell a further stake to a global strategic parener. More than 20 per cent of

EDP the holding company for be privatised in another global offer towards the end of 1996. Further holdings will be offered but the state will retain management control.

The state's 80.5 per cent stake in Banco Fomento e Exterior, Portugal's fifth largest financial group, is also to be privatised this year. However, the government has not

The government has meanwhile appointed Mr Manuel

Ferreira Lima, a former transport minister, to replace Mr Portugal's power generation Fernando Santos Martins as and distribution utilities, is to president of TAP-Air Portugal, the state airline. The appointment is one of several changes expected in the top management of state-owned compa-

Police are investigating alle-gations of corruption involving TAP's purchase of four Airbus A-340 airliners. The company is forecast to show a loss of about Esl5bn in 1995, down from a decided whether to accept a Es29.9bn loss in 1994.

#### González heads for defeat on his home ground However, some 10 per cent of households in outlying Andalucia is likely to be crucial in next month's election, writes Tom Burns in Seville backward,

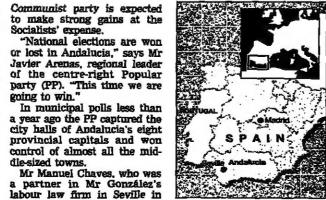


ELECTIONS

Andalucia is one of the poorest states in the country, where gross domestic product per capita income is only 69 per cent of the national average, and unemployment is running at 30 per cent - 10 points above the national average.

Electorally it is crucial - its 7m people return 54 deputies to Madrid's 350-member congress, more than any other region. Since 1982 it has delivered a solid Socialist vote which enabled Seville-born Mr González to remain in power.

But the premier is bracing himself for a poll defeat on March 3. In his home region the Socialist party has become hopelessly divided, and the



parliament elections. Andalucia began to follow the national voting trend. The PP polled over 200,000 votes more than the Socialists, while a sharp rise in the centre-right vote stripped Mr Chaves of his majority in the Andalucia parliament poll on the same day. Last May's municipal vote confirmed the electoral swing.

"More people are governed

locally by us in Andalucia than

by the Socialists and people have discovered we are moder-

Opinion polls in the main Spanish newspapers yesterday showed the centre-right Popular party strengthening its lead over the governing Socialists, just three weeks before the general elec-tion, writes David White in Madrid. Four different polls all indicated that the PP was gaining ground with 40-42 per cent of the vote, but were less consistent about the Socialists' score. The opposition newspapers El Mundo and ABC both published surveys giving the PP a lead of more than 10 percentage points. ABC said this would secure up to 172 seats, just short of an outright majority but enough to govern on its own. According to

El País, the gap was just over 9 points. But La Vanguardia in Barcelona showed the Socialists only 6.5 points behind with 34 per cent. This would give the PP 160-170 seats, only about 25 more than the Socialists. The polls confirmed expectations that the Communist-led United Left will reinforce its position as the third party in

ate, modern, decent and efficient," says Mr Arenas. "Scare dow" of the PP in power campaigns saying we are a bunch of hard rightwingers don't wash any more." Mr Arenas - young and dynamic with quickfire repar-tee and charm reminiscent of

Mr González's campaign style 20 years ago is a model of the new image that Mr José María Aznar, the PP leader, has

because "everything works, nothing is paralysed". Mr Chaves says ruefully: "The PP has a lot of influence

now and it is spreading out from the cities. We have lost the urban vote and we are los-ing the vote of the young, just as everywhere else in Spain." Opinion polls tend to substangrafted on to his party.

Ms Soledad Becerril, the Popular party mayor of Seville,

Spain's biggest-selling newspa-

per, suggested that the PP would for the first time be the biggest party in Andalucia, where regional elections are also being held on March 3, The poll gave it 39.3 per cent of the regional parliament vote; the Socialists 35.7 per cent. Mr Chaves's problems in

Andalucia's regional elections mirror those of Mr González. Short of a majority in the 109member regional parliament. just as the prime minister is in the Madrid congress, Mr Chaves has failed to get a bud-get through parliament for the past two years, while Mr Gonz-ález's national draft 1996 budget was rejected last October.

Like Mr González, Mr Chaves is fighting on two fronts, against the PP and of the Communist-led United Left (IU) coalition. In addition, he has been exposed, more than any other Socialist leader, to the simmering split in the governing party. Andalucia is the chief stronghold of the guerrista wing of the Socialist party which supports Mr Alfonso Guerra, deputy party leader and once Mr González's closest political associate. Born la Seville, like Mr González, and deputy prime minister from 1982 to 1991, when he fell out with him, Mr Guerra has publicly complained that his followers have been dropped as candidates from the party's electoral lists.

"Voters simply want a change. They've had enough of 12 years of unemployment and corruption," says Mr Luis Carlos Rejon, IU leader in Andalucia Mr Rejon is quietly confident that a Socialist humiliation in Andalucia will prompt the dismissal of the González old guard in the governing party and a realignment of "progressive forces" to bring together the Socialist left and IU. The region, he says, is a fertile ground for "political

experiments". Nevertheless, the PP must tread warily in Andalucia, for the Socialist vote remains strongly entrenched in rural areas where unemployed labourers survive on govern-ment subsidies. Mr Arenas says the rural handouts are necessary to "preserve socia" peace", although he will fine tune them to encourage

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challenge for the presidency. The nine men who aspire to be the Republican presidential candidate spent the weekend attacking one another, trading allegations of smear tactics, and courting ultra-conservative voters of the religious right, who are likely to form at least a third of all caucus-go-

Mr Forbes - who has bought millions of dollars worth of television advertisements to attack the Republican front-runner, Senator Bob Dole, and other rivals - complained at the weekend that he was a victim of negative campaigning. He accused Mr Dole of using anonymous telephone callers in a "campaign of distortion" against him, designed to present him as a social lib-

eral on issues such as abortion Mr Forbes is widely despised by the religious right, which dominated the final key event of the lowa caucus campaign with a rally at a Des Moines church on Saturday night, called to protest against gay and lesbian marriage.

Only three conservative candidates attended the event the commentator Mr Pat Buchanan, black conservative Alan Keyes, and Senator Phil Gramm of Texas. But all the main Republicans, including the supposedly liberal Mr Forbes, pledged their support for the rally's resolution condemning any moves to allow single-sex marriage. Mr Buchanan urged voters to reject the "false god of gay rights". Other candidates tried to enlist God on the side of causes as disparate as introducing a flat income tax and welfare reform.

Tonight's caucuses, which will bring Republicans and Democrats together separately in schools, town halfs and homes to vote in a straw poll for the presidency, could be heavily influenced by voters from the Christian right. But they are not expected to vote

oters in lowa will pass as a bloc: polls show that about their verdict today in a third support Senator Dole ... a third support Senator Dole, a third back Mr Buchanan, while others prefer Senator Gramm and Mr Keyes.

Very few of these highly motivated voters are likely to turn out for Mr Forbes though he was trying so hard to appeal to social conservatives that he turned up to campaign on Saturday accompanied by his wife and daughters. to make a powerful visual statement on family values.

The success of his campaign could well turn on the reaction of lowe voters to his negative advertising campaign. And there were signs at the weekend of a voter backlash against it. A poll conducted by the Des Moines Register newspaper showed Mr Forbes slipping behind. It gave Mr Dole 28 per cent support, well ahead of Mr Forbes with 16 per cent and Mr

Buchanan with 11 per cent. But opinion polls are notably unreliable in predicting caucus results, as they poll registered party members rather than the smaller pool of voters who are

n the end, dominance of the crowded nine-man field, which also includes former governor Lamar Alexander of Tennessee, Senator Richard Lugar of Indiana, Mr Robert Dornan of California and Michigan industrialist Mr. Morry Taylor, could be determined more by campaign organisation than anything else. Senator Dole, who has bussed in 300 young supporters from neighbouring states to drive voters to the caucuses and staff the phone banks, has spent more money and time on organisation than the other candidates. Mr Forbes has spent only a fraction of his millions so far on grassroots organisation. And Republicans will have

been reminded at the weekend that their main task tonight is to pick someone who can beat incumbent President Bill Clin ton. Mr Clinton campaigned in Iowa on Saturday, and drew by far the biggest crowd of the political season, several times the size of any Republican rally.

Patti Waldmeir



## Digital Barbie sets the trend in \$1bn market

Y Virtual Barbie, a digitalised version of the "real" queen of playland, is to lead an attempt by Mattel to exploit an untapped sector of the toy market, worth an estimated \$1bn a

In company with characters such as Polly Pocket and Cabbage Patch Kids - but leaving behind her male friend, Ken -Barbie, her wardrobe and make-up kit have been transferred on to CD-Rom.

The California-based multinational hopes its first computer-age products, developed and marketed by a new subsidiary, Mattel Media, will capture the imaginations of girls aged between six and ten, who typically spurn computer games and entertainments.

Mr Dong Glen, president of the new company, hopes to hitch his products to the rising trend in multi-media home

By the end of this year, he says, the number installed in US households should be well

According to Mr Glen, girls "drop out" of the market at the age of six, after mastering mainly educational software, and turn to typical play pat-terns. These, he says, reflect children's perceptions of what

"warriors", are well provided for with aggressive screen games; Mr Glen estimates 85 per cent of all entertainment software is designed by and for boys or young males.

The more social and romantic roles favoured by girls, who also like to play in groups, include, in the case of Barbie dressing, combing, and making up in preparation for a special

In one kit, due in the shops later this year and expected to sell for almost \$40, the CD-Rom disc is packed with computeraided design data more usually found in industry, which allow a child to fashion complete wardrobes for Barbie.

Clothing components may be adjusted at will until the doll is ssed and ready to be animated for a walk down the fashion show ramp. At this point the child can print out her designs on special fabric before assembling the clothes

ready for wear. In another first, Barbie will be heard speaking on screen in French, German, Spanish, Italian and English.

When Barbie gets to sweep Ken off his plastic feet is not an issue Mattel is prepared to

#### **NEWS:** THE AMERICAS

Scientists remain optimistic that systematic hunt for radio signals will pay off eventually

## Search for alien life form draws a blank

We are still alone. The recent discovery of three planets orbiting distant stars has given new impetus to the scientific search for extra-terrestrial intelligence, known as Seti to its devotees, but no clear signals have yet been detected.

The leaders of the world's four main Seti projects, all based in the US, met at the American Association for the

Advancement of Science con-

ference in Baltimore yesterday

lack of it. All the participants said they remained optimistic that their strategy - to search the sky systematically for microwave radio signals from alien civilisations - would pay off eventuelly. And they hoped that public-

ity over the discovery of new planetary systems would bring in private research funds to The US Congress cut off pub-

lic funding through the space agency Nasa in 1993 as some politicians portrayed the scienferent from the unscientific investigations of UFOs and alien abductions. In fact, said Prof Lori Marino

of Emory University, one of the conference organisers, "Seti is pursued using the scientific method. It is as different from the pseudoscience of UFOs as any college course in physics or chemistry would be." None of the four groups has

found clear evidence of intelligent signals from outer space, despite occasional claims to

intelligence as being little dif- Hundreds of stars, including those recently discovered to have planets, have been

scanned without success. Absence of evidence is not evidence of absence of extraterrestrial civilisations," said Prof Dan Werthimer, head of the Serendip search at the University of California, Berkeley. Our civilisation is just beginning to develop the techniques, and our capabilities for search are doubling every year."

Perhaps the most puzzling signal detected so far was recorded in 1977 at Ohio State University's radio telescope. This so-called "Wow" signal named after the scientists' initial reaction to it - was an "astoundingly strong" burst of microwave radiation in an extremely narrow band, said

The Wow signal could not have originated from any known natural process, but unfortunately it lasted only for a minute and, despite many searches over the years at the same frequency, has not been

Professor Robert Dixon of Ohio

recordings of the signal, with a grant from the Planetary Society, in an attempt to solve the mystery.

Meanwhile, radio signals

from Earth radiate out through the cosmos. "Early television broadcasts such as 'I Love Lucy have gone past several thousand stars so far," said Prof Werthimer. "Perhaps we will one day intercept another civilisation's unintentional leakage or even an intentional

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## Cuts at Northrop hit aircraft sector optimism

By Christopher Parkes in Los Angeles

Hopes raised by Boeing's plans to take on new workers in the west coast aircraft industry's first large hiring programme since 1989 have been hit by the threat of further cuts at North-

The military aircraft specialist, which last week reported record profits for 1995, is expected to reduce its assembly workforce by at least 1,000 in the short term following Thursday's announcement that the Defence Department will not be ordering more Northrop B-2 bombers.

Although a formal jobs policy unnouncement is not expected for two weeks, Boeing shares rose to a 52week peak of \$82% on Friday following reports that the Seattle-based group would hire 5,000-7,000 people in the next 12 months.

The mood in the group, which shed almost 30,000 jobs in the last recession, has been improved by stronger foreign orders, although most are for smaller aircraft. US carriers are still bogged in

extended price wars and are reluctant to invest in fleets. The economy in Washington state

is among the weakest, with manufac-turing employment falling more than 8 per cent last year, compared with a decline of only 0.2 per cent in the region as a whole. California, on the other hand, is rid-

ing a wave of expansion in the enter-tainment and electronics industries which has obscured continuing strains in the aircraft business. McDonnell Douglas, which has

large plants in Los Angeles, may benefit from some increased contract work on Boeing aircraft components, but the basic difficulties caused by lagging behind Boeing and Europe's Airbus Industrie in the civil aviation market remain unsolved, On-off rger talks with Boeing are expec

Meanwhile, Northrop Grumman which is completing the \$3bn purchase of Westinghouse's defence and electronics arm, continues its transformation into an electronics

The wisdom of the strategy was underscored by last week's bad news from the White House, which followed several months of hints that President Bill Clinton favoured buying more B-2

"stealth" bombers.

yet decided on the future for the B-2 workforce, estimated at almost 9,000, when the air force's current order

Plans had already been drafted for extensive payroll cuts and factory clo-sures as part of the group's focus on industry sectors less sensitive to political pressure and government budget

Some staff will still be needed beyond the turn of the decade to update and modify aircraft already in

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#### Japan and S Korea bring territorial row to a head as nationalist sentiment hardens

## Battle lines drawn over island dispute

he row between Japan and South Korea over the ownership of an island in the Sea of Japan represents a potentially serious dispute, with neither side preparing to back down as nationalist sentiment hardens in both countries.

Mr Ryutaro Hashimoto, leader of Japan's Liberal Democratic party and a proponent of an assertive foreign policy. marked a shift to the right when he took over as prime minister last month from the pacifist Mr Tomiichi Muravama, the head of the Social

The shift has been in tune with the public mood, judging by the nearly 60 per cent sup-port his government has schieved in opinion polls.

The integrity of Japan's national identity is high on the agenda of Mr Hashimoto, who last summer won plaudits for beating off US trade demands in a dispute about access to the

Japanese car market. He was until last October the chairman of the main association of second world war veterans' families and opposed Mr Murayama's proposal last June for the first parliamentary apology for Japan's war record to mark the 50th anniversary of Japan's defeat.

In the event, Mr Murayama was reduced to making a personal apology, without parlia-mentary backing. It created an ambivalent impression which went down badly in South



Korea, still harbouring painful memories of its time as a Japa-nese colony from 1910 to 1945. But even Mr Murayama, later last year, was to offend South Korea by claiming that the 1910 annexation treaty was legally valid, a remark for which he later apologised in the face of the inevitably angry Korean response.

Japan's relations with South

Korea have been strained on

nations established diplomatic ties in 1965. Indeed, the delegation of Japanese MPs that was due to arrive in Seoul yesterday, and which has now been cancelled because of the island dispute, was to discuss other problems, such as the question of compensation for Korean "comfort women" forced to be prostitutes for Japanese soldiers during the war.

A United Nations panel last week called on Japan to make official compensation, but Tokyo rejected the recommendation, which has further poisoned relations with Seoul.

Against this tense background, both sides have forced the dispute to a critical point. Until recently, Japan tolerated Korean occupation of the island despite Tokyo's formal position that it has been Japanese territory since an agreement with Korea in 1905. But that changed when the Japanese government drafted

#### legislation for the ratification of the United Nations conven-China 'pirate' ship held

The Philippine Navy seized a suspected Chinese pirate ship and its 20 crewmen over the weekend after they tried to ram a navy boat in a gun battle north-west of Manila, Reuter reports from Manila. There were no casualties in the second sea clash in three weeks between the Philippine Navy and suspected Chinese vessels off the Subic Bay free port, an area notorious for pirates. Two navy patrol ships and a gunboat engaged the vessel, driving it back to land with heavy gunfire. Capt Ernesto de Leon, who commanded the navy force, personally briefed Presi-



South Koreans, angered by Tokyo claims, chant anti-Japan slogans in a Seoul park yesterday

tion on the law of the sea, due for adoption in the current par-

The UN convention, which came into force in November 1994. permits signatories to declare a 200-mile exclusive economic zone around their territory and provides them with exclusive rights to fishing and other maritime resources Japan's civil servants could not resist the temptation to include the island as Japanese

Japan's renewed interest in what it calls Takeshima, and the Koreans call Tok-do island, has confirmed the worst fears of officials in Seoul that the inauguration of Mr Hashimoto as prime minister would lead to increased tensions. The protest by Tokyo over the proposed Korean construction of a pier on the island is seen as a sign of resurgent Japanese

nationalism and territorial

President Kim Young-sam is under strong political pressure to take a firm response to the Japanese challenge. The Korean public has a higher awareness about the island than the Japanese. There is even a popular song whose refrain begins "Tok-do is our land".

The row has provoked an emotional response in South Korea. Demonstrations have been held outside Japanese diplomatic offices, while a group of prominent Korean writers plans to sail to Tok-do. But there are suggestions that Mr Kim welcomes the public outrage and is even encouraging it as he faces tough parliamentary elections in April. The government suddenly enjoys wide public support as it confronts Japan, and this is likely to benefit the ruling party, which is has been threatened with the loss of its majority in the National

Mr Kim appeared to be cater-ing to public opinion at the weekend by releasing a unusually strong statement attacking Japan over Tok-do despite a recommendation by foreign ministry officials to take a more low-key approach.

However, the president views an assertive foreign pol-icy as an electoral asset. His recent tough attitude toward North Korea, including the denial of food aid to its starying population, is meant to appeal to conservative voters who believe his government has been too weak in defending South Korean interests.

> John Burton and William Dawkins

## tariff scheme to pay for pledges

Australia's federal government yesterday said it would scrap a scheme under which importers are given a tariff concession if there are no local manufactur-

ers of substitute goods. The scheme will end in July to help pay for election promises if the government is returned to office in the March

The end of the concession scheme was the main element in a complex package of revenue-generating and cost-cutting measures worth A\$7bn (US\$5.3bn) unveiled by Mr Ralph Willis, treasurer, in an effort to convince voters that the government can pay for all the promises it has made.

The Labor government published the measures hours before Mr Keating, prime minister, went into a televised debate with Mr John Howard, leader of the opposition coalition. During the debate Mr Howard said the coalition. which has been equally free in promising largesse, would release funding plans on

The tariff concession scheme would have cost the government A\$730m in the 1996/7 financial year, according to Mr

would coincide with a fall in the general tariff rate to 5 per cent, would generate about A\$1.76bn over four years, he

Another key component of Mr Willis's package was an A\$800m-a-year revenue gain from a crackdown on wealthy

The government also announced a range of measures to save smaller sums of money. These included tightening company residence rules as a qualification for tax benefits. estimated to save a further A\$182m over four years: savings of A\$320m over the same period through internal government department efficiencles and greater use of consultants; and extension of the "reportable payments" tax system to the fruit and vegetable industry, which could find

In the TV debate a studio audience of "uncommitted voters" awarded Mr Keating a narrow victory of 51 per cent to 49 per cent.

Labor's election promises over past weeks have ranged from A\$490m increased annual spending on the health system, and A\$617m over four years on the environment.

## Canberra targets Japanese recording industry seeks harmony over royalties

#### Government and business at odds over rights says Michiyo Nakamoto

n the cramped, twisting back streets of Shibuya, a popular part of Tokyo frequented by the young, make-shift stalls are erected in the evenings to display an array of CDs including rock and pop, classical music and jazz.

Even to the casual passer-by, the CDs, which are between half and one fifth the price of Japanese CDs sold at established record stores, look somewhat suspect.

They are not well-known albums, but haphazard compilations of old hits, jumbled together under titles such as 'the great hits". However, these discs are not illegal, at least not under Japanese

But their legality in Japan has made these CDs the target of a trade dispute with the US in which, ironically, Japanese industry is not on the side of its own government. Japan's recording industry

has been cheering the US move to spread the net of intellectual property protection further than Japanese law recognises.

Under Japanese law, amended on January 1, the rights of recording companies and artists - known as neighbouring rights - are only protected retroactively to 1971. The US wants Japan to extend

1946) as in the US and most other western countries.

"We feel that it would be a very good thing to extend the protection of recorded music neighbouring rights back 50 years," says Mr Takuo Chiba. general manager of the Recording Industry Association of

Mr Chiba, whose association represents large Japanese record companies such as Sony Music Entertainment, Toshiba EMI and Victor, has been eagerly awaiting the US action, which he hopes will correct a situation the association itself has long regarded as unaccept-

panies which belong to the association pay huge licensing fees to foreign companies for access to their music catalogues. These fees cover not only the intellectual property of the music composers but also the neighbouring rights of the recording artists and the record companies.

But there is a substantial grey market for CDs which are manufactured by small companies that do not belong to the RIAJ, and are sold for much less than the price of those marketed by the big record companies.

lations of music from the 1960s and earlier, since Japanese law does not protect neighbouring rights for music recorded

before 1971. CDs of early Beatles music. Elvis Presley, Paul Anka and a substantial number of Simon and Garfunkel pieces - all extremely popular artists in Japan - are sold at street stalls for as little as Y500 (\$4.70) a disc, compared with about Y2,500 for an album produced by RIAJ members, complete with Japanese translation of the lyrics.

"These companies are taking advantage of loopholes in the law which allow them to make CDs without paying royalties to the recording artists or record companies," notes Mr Chiba. 'They are dumping CDs at very low prices, which they can do because they don't pay those royalties," he com-

For the most part, they do pay royalties covering the intellectual property rights of the music composers, according to the Japanese Society for Rights of Authors, Composers and Publishers. Mr Chiba at the RIAJ is also annoyed at the bad image the

grey market has given Japan's

recording industry.

that keeps prices high in "People see these discount CDs and say we are calling for keeping the resale price main-

bying against abolition of the resale price maintenance sys-

tem, which has been criticised

as an anti-competitive practice

tenance system while at the same time dumping our prod-ucts on the market," he moans. Companies which sold these discount CDs were hurting RIAJ members not only by dumping products but also by giving them a bad image. Mr Chiba fully supports the

US move to stamp out the discount CDs. Discount CDs are also outside the resale price maintenance system and Mr Chiba believes that maintaining prices in an orderly manner under this system, which allows retailers to return unsold stocks, is good for the

Thanks to the system, Japan's market, which is half the size of that in the US. where there is no such system, has three times as many CD titles in the shops. If Japan has to change its rules Jananese consumers will find themselves deprived of one of the few things in the country that seem genuinely cheap.

#### INTERNATIONAL NEWS DIGEST

## Taiwan to lift shares ceiling

Taiwan plans to lift a ceiling on foreign investments in domestic shares from 15 per cent to 20 per cent of total market capitalisation, the central bank said. The move could take effect as early as the end of this month, in time to boost flagging share prices before the country's first presidential

The new ceiling will include investments by foreign individuals, once such investments are permitted. Currently only foreign institutional investors approved by Taiwan authorities are allowed to invest in Taiwan's stock market. No definite date has been set for the admission of foreign individuals, with estimates ranging from the end of this month to the end of June.

#### China's trade surplus to fall

China's trade surplus is expected to fall sharply this year to about \$5.5bn from last year's \$16.6bn, following reductions in tariffs and a cut in tax rebates on exports.

Mr Ma Jixian of the State Economic Trade Commission expected imports to grow this year by about 25 per cent compared with 14 per cent last year. Tariff cuts to come into effect on April 1 would help fuel imports.

He expected export growth this year of 10-15 per cent compared with 23 per cent in 1995. Exports have been sluggish in the first weeks of this year, but are expected to strengthen after the spring festival holiday beginning on

#### France 'to stick to Emu rules'

France will stick to the timetable and rules for European monetary union, Mr Alain Juppé, prime minister, says in today's *Die Welt* in an interview timed to coincide with his meeting in Bonn later in the day with Chancellor Helmut Kohl Recent suggestions that softer Maastricht criteria for monetary union might help the French government to reduce deficits were "perfectly perverse", Mr Juppe told the German

The French premier has been swift to dissociate himself from any call, like that recently made by ex-President Valery Giscard d'Estaing, for the Maastricht criteria not to be taken too literally, for fear of upsetting the Germans and of diminishing political pressure for spending cuts and tax rises

#### Rumours hit Taiwan bank

A medium-sized Taiwanese bank has suffered a run on deposits following rumours that the bank's chairman had borrowed from the bank to invest in shares. By close of business on Saturday, investors had withdrawn T\$9.1bn (US\$332m), about one quarter of the deposit base of Medium Business Bank of Taitung in the south-east of the island. Further withdrawals are expected today.

Several other banks, whose share prices fell on news of the run, met to discuss an aid package and have agreed to lend up to T\$12bn in cash to the stricken bank to meet Laura Tyson, Taipei

#### Cuba frees three prisoners

Cuba has released three political prisoners to a visiting US Democrat congressman, in an apparent goodwill gesture aimed at trying to persuade President Bill Clinton to change US policy towards Cuba.

Mr Bill Richardson, a Democrat congressman for New Mexico who is also the deputy whip of the House of Representatives, returned to the US with the released prisoners at the weekend after talks with President Fidel

The three former detainees, who had been jalled for between nine and 13 years for rebellion and "revealing state secrets". were on a list of political prisoners whose release Mr Richardson had requested from Mr Castro during an earlier visit to Havana in January.

The US State Department welcomed the move but stressed that Mr Richardson had been acting on his own initiative and not as an envoy for the US government. While welcoming the releases, the department repeated a call for the Cuban government to free more than 1,000 people being held for their Pascai Fletcher, Havana

#### Severe floods hit Jakarta

The Indonesian capital has been hit by severe floods for the second time in a month, leaving thousands homeless and disrupting electricity supplies and telephone lines. Last month's floods, the worst in 20 years, have been blamed for pushing the year-on-year January inflation rate above 10 per cent for the first time in three years. January's year-on-year rate was 10.98 per cent, with

increased food prices driving the overall rate higher. There is: concern that the latest floods will carry higher food prices through for at least another month, causing the inflation rate to remain over 10 per cent. Torrential rains overwhelmed a network of rivers in

Jakarta, killing at least six people and paralysing the capital. Yesterday workers from Telkom, the state-controlled domestic phone company, were working to restore some of the 75,000 telephone lines that were cut in the rising waters. Areas in and around Jakarta's central business district were

covered by 60cm of water while other parts of the capital were Manuela Saragosa, Jakarta submerged in 2m of water.

#### Row splits Argentine party

Argentina's governing Peronist party yesterday celebrated the disintegration of the Frepaso party, whose two main leaders said they could no longer work together. Mr Jose Octavio Bordón, who came second to Mr Carlos

Menem in last May's presidential elections, left Frepaso at the weekend after months of backbiting with his vice presidential running mate, the more leftwing Mr Carlos "Chacho" Alvarez. The dispute centred on Frepaso's candidate for Buenos Aires mayoral elections due to be held in June. Frepaso, which in recent years has dealt the Peronists three

punishing electoral defeats in the federal capital of Buenos Aires, will now find it hard to construct a national apparatus capable of winning power. Mr Bordon, who is joining forces with Mr Gustavo Beliz, a Peronist defector, faces an uphill battle to build an electable "anti-corruption" alternative to David Pilling, Buenos Aires

## Bangladesh election violence claims 12th life

By Mark Nicholson in Dhaka

Political violence in Bangladesh yesterday claimed its 12th life in the run-up to Thursday's opposition-boycotted elections. The shooting of a police chief, during clashes with opposition activists in Chittagong. prompted Mrs Khaleda Zia, the prime minister, to warn of "stern action" against opposition parties which are planning a week of strikes in protest

More than 300 people were injured and a policeman killed in central Dhaka on Saturday as police armed

with shotguns, teargas and water hartal, on Wednesday and Thursday. cannons broke up a rally of around 5,000 opposition demonstrators. many hurling bricks and home-made bombs. Two bank branches, several petrol stations and election booths were set alight in a two-hour clash, which 2,000 police and paramilitary

forces otherwise contained.

More violence is expected this week as Bangladesh's three main opposition parties, the Awami League, the Jatiya party and the Jamaat-i-Islami, will seek to paralyse the country, calling a transport stoppage tomorrow followed by a general strike, or

The election follows last November's dissolution of parliament after more than a year of protests led by Sheikh Hasina, leader of the Awami League, which resulted in the three parties resigning from parliament. Opposition parties claim Mrs Zia's Bangladesh Nationalist party is incapable of holding free and fair elections and should resign in favour of

> ernment with no interest in the poll result. Mrs Zia has consistently rejected the demand as impossible under Ban-

an interim and neutral caretaker gov-

gladesh's present constitution, arguing that she is also constitutionally obliged to proceed with this week's poll even in the face of a boycott. The government says 41 smaller

parties will contest the election with the ruling BNP, though none of these won more than 0.3 per cent of the vote during the 1991 election which brought Mrs Zla to power. Forty-nine RNP candidates have already been returned anopposed to the assembly's

The three opposition parties, which together captured 54 per cent of the vote in 1991, have branded the poll a

"farcical" and "voterless" election which, Sheikh Hasina said yesterday "must be stopped". Despite skirmishes expected across

the country, particularly in Dhaka and Chittagong, on election day, the government, backed by 200,000 police and security personnel at 21,000 polling stations, is set on holding the poll, hoping that thinly-based opinion poll predictions of a 30 per cent turnout may materialise.

The opposition says no more than 5 per cent of Bangladesh's 56m voters will turn out. More than 56 per cent voted in 1991.

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## Blast shatters Adams' credibility

If there was anyone yesterday who looked more shattered than Mr John Bruton, the Irish prime minister, it was Mr Gerry Adams, who for the past 18 months has been attempting to give militant republicanism an acceptable public face.

in a gruelling schedule of media interviews, the Sinn Féin president seemed shellshocked and irascible, his eyes bloodshot from the strain of

the last couple of days. Mr Adams' assertion that he knew nothing of the timing of the IRA's announcement to end their ceaselire appears to have been accepted by politicians in Dublin. It is nonetheless hard to accept that he was unaware that an end to the

ceaselire was in the wings. By the same token, it is clear that Mr Adams no longer has any real clout with the bard men, who seem intent on their return to the long war. Mr Adams' role in the peace pro-

ECONOMY

London

**Financial** 

cess was largely based on the assumption that he did speak authoritatively for the IRA. was not taken lightly, and certainly not for short-term advantage. results. Although Irish politicians are anxious not to blame the British publicly, there is a authoritatively for the IRA.

The Irish government's deci-sion to sever formal ties with Sinn Fein was described by Mr Adams as "disappointing. But Dublin's position has an inescapable logic as it was Sinn Fein's assurances of the IRA's good faith that was taken as the passport to bring Sinn Fein in from the political wilder-

lrish republicanism has an unhappy history of factional-ism and bloody feuding, from the shooting of Michael Col-lins, the guerrilla leader who negotiated partition, to schisms in the 1970s over whether to contest elections to the Irish parliament.

The prospect of another split may go some way towards explaining the IRA's decision to abandon the peace process. If one thing is for sure, the decision to return to violence

The Association of British

For Mr Adams personally, there must be a real question about his safety. He has a bodyguard and even during the ceasefire was said never to sleep in the same house for two consecutive nights. His precautions may now have to extend to cope with vengeful elements within the IRA.

The IRA had never given more than a conditional endorsement to Mr Adams' endeavours. For all Mr Adams' fine words about the peace strategy being his priority, Priday's bomb would appear to have ended the co-operation between Mr Adams and Mr John Hume, leader of the constitutional nationalist Social

Democratic and Labour party. Mr Adams and Mr Hume coaxed the IRA to go along, but their continued support was always contingent on tangible Patrick Mayhew, the Northern

widely held view that a more flexible attitude from the British in areas such as prisoners could have given Mr Adams more room for manoeuvre.

Instead, there has been a mounting frustration with the lack of progress towards all-party talks. Even Dublin's Forum for Peace and Reconciliation, set up to provide Sinn Fein with a way in from the political cold, has ended as an exercise in isolating the republicans, who refused to endorse its concluding report on the peace process Ultimately, it was the repub-

licans' perception that Mr Major's electoral vulnerability at Westminster had put the unionists in the driving seat. London can have little real expectation that Mr Adams will condemn the IRA as Sir

Ireland secretary, has demanded Equally, Mr Bruton can hardly expect the IRA to announce another ceasefire this time with verification - as was demanded on Saturday.

Republicans will instinct tively blame the British for foot dragging, and playing to a unionist agenda, but Mr Adams is also seen to have misread British inten-

"The IRA reassessed its posi-tion and decided that the British response to the ceasefire was a military, one not a political one," says a nationalist councillor in Belfast. Mr Adams took his cue from

Mr Rume, believing that British policy had changed, that with the support of constitutional nationalists and the Irish American lobby, they could bring the unionists to the negotiating table. After 18 months, that had not hap-



Shell-shocked: Gerry Adams seemed irascible from the strain

## Premiums threat as cost estimate tops £150m

centre Many businesses could see remains terrorism insurance costs increase by as much as twothirds following the South optimistic Quay bombing, threatening fresh disoniet over the government-backed insurance scheme introduced after earlier IRA officials were attempting yesterday to play

down the impact on the capital as a financial centre following Insurers last night estimated the IRA bombing in Docklands. Mr Michael Pickard, the chairman of the Loudon Docklands Development Corporation, said he was hopeful that the bombing would not have a long-lasting impact. "The history of these occasions is that the publicity causes a pause [in

that," he said. Mr Bernard Harty, the chief executive of the Corporation of London, said the City had demonstrated "a tremendous ability to recover" after the Bishopsgate bombing in 1992.

lettings] and no more than

"This kind of terrorist activity is not unique to the UK. It has happened in America, in Japan, in Frankfurt and in Paris," be said. "Businesses know that major centres will be a risk and that if they move to other places, that risk will transfer to other places."

Mr Harty said that since the and its neighbouring areas had attracted some significant international banks.

Yet all these banks announced their plans after the IRA declared its ceasefire in August 1994, Westdeutsche Landesbank and Deutsche Morgan Grenfell announced intentions to move to the City soon after the ceasefire, and ABN Amro Hoare Govett said only this month that it would bring together all its UK operations in a new London headquarters in Spitalfields.

There is an acceptance that further bombings in London could still alter foreign perceptions of the capital as a financial centre. "What happens in the totality of London in the peace process will be impor-tant," said Mr Pickard, "We cannot buck a trend."

Close attention will now be paid to those companies contemplating moving to Docklands. Reader's Digest is one of the largest companies to have declared an intention to move but which have not yet signed

The US company, which is negotiating to buy a 140,000 sq ft building for its new headquarters, could not be contacted yesterday.

Over the past four years Docklands has won some significant new clients, including Barclays de Zoete Wedd, the investment banking arm of Barclays Bank. Mr Pickard said 70 per cent

of the 13m sq ft of space in Docklands had been let, up from 30 per cent in 1992. The im sq ft Canary Wharf complex has received commitments for 80 per cent of the space, even if not actually let. He said the current rate of letting about Im sq ft a year - would see Docklands fully let by March 1998 when the Jubilee Line extension is due to

open.
The LDDC hopes the arrival of the Jubilee Line will trigger the next phase of development. already developed, there is 4m sq ft with planning permission. How quickly this is developed depends now on the prog-

ress of peace talks. The bombers have moved up and down London," said Mr Pickard. "They have made two efforts - one successful and one unsuccessful - in Docklands. Our confidence depends on London not being seen as a particularly difficult town."

The fears of many companies will be that insurance claims falling on Pool Re - the statebacked terrorism "reinsurer" which underwrites policies sold by conventional insurers - will exceed £75m. Above that level, Pool Re would be able to claw back substantial extra attacks in London.

that insurance claims could January 1. Mr Andrew Neale, the disastotal between £75m and £150m. ter manager at Thomas Assesments by Thomas Howell, the loss adjuster, Howell, said the damage at suggested that damage caused South Quay was likely to be less expensive than that by Friday night's explosion caused by the IRA's bomb would cost at least "tens of attack at Bishopsgate in April millions of pounds - although 1993 which cost Pool Re £325m. much would depend on the reports from structural engi-There is evidently a less broad area affected and the

sums from those who have

bought its policies since

said. However, insurance claims were likely from damage to buildings, contents (including expensive computer equipment), business interruption and loss of profits and rent. Moreover, previous terrorism threats to London Docklands mean most businesses based there are likely to have bought terrorism cover.

Some insurance costs, particularly from houses and smaller businesses, will be absorbed by conventional insurers rather than Pool Re. Some may also have been borne by insurers outside the government-backed scheme, including Lloyd's of London syndicates. But insurance executives

that it would not be clear the total falling on Pool Re exceeding £75m. The threshold is important because of Pool Re's discount system. Under terms announced for 1996 last November, the reinsurer said it would collect only 50 per cent of the policy premium at the start of the period covered. The remaining 40 per cent would be waived if claims occurring to

during 1996. In addition, if claims rise above £75m, a 20 per cent premium rate discount on premium rates introduced for 1996 in the light of the IRA ceasefire would also be withdrawn when Mr Leslie Lucas, Pool Re's

Pool Re do not exceed From

whether the threshold had been reached until information is sent from insurance companies - possibly within a few The threat of extra costs to

business across Britain is likely to renew debate about Pool Re which has been criticised as expensive and inflexi-ble. Earlier this year, the Association of Insurance and Risk Managers (Airmic), which represents commercial insurance buyers, warned that many businesses are having to choose between paying high premiums - or risk going without cover.

Pool Re was set up after the

1992 bomb attack on the City after insurers said unlimited terrorism cover would be excluded from commercial policies. The reinsurer operates as a mutual, insisting that member companies - most of the big insurance companies - sell insurance only on its terms and conditions. Only a limited market for terrorism cover has developed beyond Pool Re.

Airmic has suggested that Pool Re should be funded by a fiat contribution or levy on all commercial property insurance, allowing a return to the automatic provision of terrorism cover. This would make it more akin to funds set up in other countries to protect against natural catastrophes.

**SECURITY - By Jimmy Burns** 

## Ring of steel closes on City amid new alerts

For the security forces, it is a question of once bitten, twice

neers this week.

Yesterday police chiefs on the British mainland and in Northern Ireland reissued while stepping up overt security measures against terrorist attack.

The measures include the reactivation of manned checkpoints on key access roads to the City of London - the socalled ring of steel introduced following the Bishopsgate attack by the IRA in 1993.

One senior City of London police officer said last night: "We obviously realise that as one of the world's major financial centres, the City could be the target for another bomb. We can't be sure it will be attacked, but we can't afford to take chances.

In addition to restricted parking and traffic circulation, there will be roving teams of armed police units, and protection of government buildings and senior public figures will be stepped up. On the streets of Belfast, the

Royal Ulster Constabulary has increased its street patrols, while considering calling in the army as backup if and when necessary. Having erred on the side of

optimism, believing that the IRA ceasefire would hold. police and the security service M15 found themselves wrong-In its aftermath, police and security chiefs feel they have no option but to brace themselves for a renewed IRA mili-"The IRA could wait a few

days to see how politicians and the public react, but we can't rule out that the bombing will start again after that," one security source said yesterday. The reluctance to make a firm prediction reflects on the confused political situation which has developed in North-

Previous optimism was

#### Stepping up protection of the Square Mile

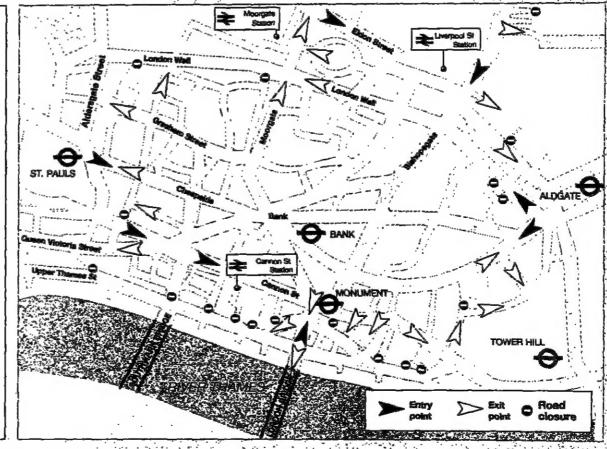
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based on the belief - shared by the British government and its security advisers - that rankand-file rumblings of discontent within the republican movement were insufficient to dislodge the willingness and ability of Mr Gerry Adams and other Sinn Fein leaders to carry the IRA behind the peace

Yet it now emerges that while Sinn Fein officials continued their contacts with the Irish and British government, the IRA was carefully prepar-ing its bomb attack. According to an initial

anti-terrorist expert, Friday's bomb attack was almost certainly the visible result of a covert IRA intelligence and logistics operation which had been running almost from the moment the ceasefire was declared. It is now believed that the IRA, far from winding down its

operations, had refocused small teams on the mainland on intelligence missions with the aim of identifying potential targets. IRA hardliners have never renounced breaking the ceasefire if they considered

The nature, size, and location of Friday's bomb suggests that this specific terrorist attack would have involved more specific planning over a period of at least three weeks, with the final decision on the day and time taken around Wednesday of last week, when British and Irish ministers failed to agree on a Dublin proposal for a Bosnia-style round table involving all political par-

It is thought that the operation was known only to a very restricted group of people resentative of the IRA's ruling army council. The estimated 500lbs of

home-made explosive would have involved at least one IRA unit - two to three people - on a final surveillance of the area as well as on the assembly and transport of the device in a van. Other vehicles as potential decoys may have also been The bomb is of a kind which

has been often used by the IRA in Northern Ireland for propaganda purposes. It is less powerful and potentially causes fewer fatalities than Semtex. but its "wave" effect shatters glass over a wide area, producing dramatic photographic and film material

The IRA picked on a target which, in common with many other parts of mainland cities. had relaxed its security presence in recent months.

Over the weekend Sir Paul Condon, the Metropolitan police commissioner, admitted that the blast at South Quay was "completely unexpected". Previous IRA operations in the area had been focused on the nearby complex of Canary Wharf, which includes the tall-

#### LOVALISTS Verdict reserved on violent

The loyalist paramilitary groups in Northern Ireland are adopting a wait-and-see attitude to the end of the IRA ceasefire but do not discount a

response

resumption of violence. They want to see if the London Docklands bomb was a single shot across the bows of the British government, provoked by its stand on arms ioning and elections to a local assembly, or the start of a protracted campaign.
Mr David Ervine, of the Pro-

gressive Unionist party, which speaks for the Uister Freedom Fighters, one of the two main loyalist paramilitary groups, said yesterday that he was stunned by the resumption of violence and very angry.

"If this is the start of a new campaign then it could very well be that the loyalist groups would be forced to retaliate," he said. "We do not know for the moment.

Mr Ervine dismissed the only act if the IRA resumed violent activity in Northern Ireland. "I've heard it said that the IRA is going to concentrate on the mainland," hesaid. "As far as loyalists are concerned we are citizens of the United Kingdom. If there is a strike anywhere in the United Kingdom it is a strike against us."

Mr Ervine added: "I think you can say that the universality of loyalist commitment to the ceasefire is about to be reviewed. The Combined Loyalist Military Command is not due to meet until next Thursday. I would say that is a good sign. What it means is the loyalist groups are going to consider their position in a calm and orderly way."

Mr Gary McMichael, of the Ulster Democratic party, which has links with the Ulster Defence Association (UDA), the other main loyalist paramilitary group, was mavailable for comment yesterday. His party said nothing had been decided yet "and probably won't be until later in the week".

If the loyalists were to resume violence the most likely targets could be in Dublin. When tensions were running high in the province there was a series of bomb attacks in the Irish capital. In 1994 the loyalists claimed responsibility for bomb attacks in Dublin's Connolly station and in the city centre.

Both the PUP and the UDP have very weak electoral sup-port. Mr Michael Ancrem, the minister for political affairs in Northern Ireland, said late in 1994, after the loyalists had declared their own ceasefire in October, that the political parties speaking for the paramilitaries had only 1.3 per cent of the vote in council elections. This compared with 10 per cent for Sinn Fein, the political wing of the IRA. They have one councillor each on two of Northern Ireland's 26 district councils, which have few pow-

In addition, Mr Gerry Adams, president of Sinn Fein, was elected to Westminster as an MP, before losing his seat in West Belfast to Mr Joe Hendron of the Social and Democratic Labour party, the moderate nationalist group. Because of their strong links with the paramilitaries, how-ever, the PUP and DUP would be admitted to bilateral talks. Their weak electoral standing meant, however, that they would not have an automatic right to participate in all-party talks. Mr Brvine has served a fall

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sentence for the handling of explosives.

The Ulster Freedom Fighters has roots going back to the Ulster Volunteer Force, set up in the early part of the century to fight against home rule for all of Ireland. It is thought to have between 1,000 and 2,000 active members. The UDA is the larger of the paramilitary groups. It membership is thought to be about 6,000.

## verseas visitors shrug off fear and carry on shopping

Tourists in London's busiest shopping districts appeared undeterred at the weekend by the bomb attack.

On Saturday, shoppers thronged as usual outside Harrods in Knightsbridge, a popular spot for overseas

More than 22m tourists came to the UK last year. About half headed for the capital, where spending by Richard Gourlay | tourists was about 27bn.

"We live in Paris and there are a lot of bombings there so we're used to it," said Chris Clement, who arrived in London on the Eurostar train on Friday for a weekend trip, We like London and the bomb hasn't put us off. I'm surprised, though, that our bags haven't been checked in the big stores today. In Paris, bags are checked everywhere

if there is a bomb." Four weekend visitors from Northern Ireland said they were "sorry we happen to have chosen this weekend to come". One added: "We're accus-tomed to this sort of thing. I couldn't help wondering how long it would be before this would happen. If there's to be a permanent peace, it will take

between the communities."

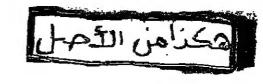
Canadian couple Giovanni and
Ivana Vernich shrugged off the prospect of bombings in the capital. "If it

happens, it happens, we feel perfectly safe here," said Mr Vernich. Graham and Jean Price, on busi-ness from Liverpool for the weekend, had to cancel a meeting in Canary Wharf on Saturday because of the attack. "But we're going to enjoy ourselves in London instead. We try not to think about it because really there is nowhere that is totally secure. You can't stop living." Helga Wollerich, in London for a

one-week trip from Frankfurt, said she was "very sad" that the bombing had happened. "But I don't feel scared shopping here in London."
Frank and Jette Zackrisson, from

Aarhus in Denmark, arrived in Lon-don with their two daughters two hours before the bomb went off on Friday. "I saw it on the television this morning, and of course I was worried," said Mrs Zackrisson. "Maybe if there are more, I would think about going somewhere else." Thai student Amporn Buranabud-sakorn said she felt "indifferent" as far her as own safety was concerned.
"Anything can happen. Anyway, I have to stay here for another nine months to finish my course in business studies." Ellen Verluis, who moved to con-

don from France two years ago, sallif there were further attacks she might consider returning to France.



SOUTH QUAY

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The US was embarking on intensive transatlantic negotiations yesterday to try to rescue the Northern Ireland peace process, focusing principally on a restoration of the ceasefire broken by the IRA on Fri-

A White House official said that President Bill Clinton might take part in today's planned White House ses with Mr David Trimble, the leader of the Ulster Unionist party. UK diplomats were convinced that he would take part, after a similar courtesy had been shown to Mr Gerry Adams, the President of Sinn

Féin, 10 days ago. But the official said that he was unaware of any immediate plans to send either Mr Anthony Lake, the national security adviser, or Ms Nancy Soderberg, his deputy, to London or Dublin.

Mr George Mitchell, the former US senator who headed the international panel on arms decommissioning in Northern Ireland, is due to return to London next week, but both US and UK officials noted that this was a previously scheduled trip.
Mr Clinton underlined his

personal concern in two public statements on Saturday, first on the White House lawn and later in the course of a campaign speech in Iowa. Recognising the threat to

what has been portrayed here as one of his most successful foreign policy initiatives, the president said: "I am determined to do all that I can to ensure that the enemies of peace do not succeed."

White House officials conceded that Friday's events left them in a state of shock. One, intimately involved with the negotiations, said she felt "sick it was horrible".

There is also considerable concern about the apparent deterioration of relations between the British and Irish governments at the weekend, particularly after the president spoke to both prime ministers on Friday night.

Mr Lake and Ms Soderbers spent much of Saturday on the telephone, including calls to the White House on Friday that the IRA ceasefire was at an end. But there was no hard evidence that the US had lost confidence in Mr Adams as a negotiator, nor that any sanctions were being contemplated

against Sinn Féin. UK diplomats said that even if Mr Adams were now viewed by the US administration as damaged goods", he may yet have a role in getting the ceasefire back in place. If he could not help in this respect, they said, he would be reduced to a marginal role.

Nor would officials voice any public criticism of British policies over the past month. Sup-porters of the Irish nationalist cause in the US Congress, including Mr Ben Gilman, chairman of the house international relations committee, have urged Mr Major to drop his proposal for elections prior to all-party talks and to pro-ceed instead directly to the negotiating table.

That theme was taken up last week by Mr Dick Spring. the Irish foreign minister, who said in Washington that "elections in Northern Ireland have, by their nature, been divisive. leading to polarisation, winners and losers."

## Downing St insists that peace talks can continue

By Robert Peston, Robert Shrimsley and John Kampiner

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angry.

Downing Street was last night insisting that the Northern ireland peace process could be salvaged from the wreckage of the IRA's bombing of South Quay in London's Docklands.

Following a weekend of tele-phone diplomacy with Mr John Bruton, the Irish premier, and Mr Bill Clinton, the US president. Mr Major will today say that there will be no further ministerial contact with Sinn Fein, unless the IRA announces a further ceasefire.

He will also relterate his belief that elections in North-ern freland represent the government's preferred route towards all-party talks on a Northern Ireland settlement, in the absence of the decommissioning of arms by paramilitary groups,

However, Mr Major's "place in history", as the British poli-tician who ended 25 years of strife in Northern Ireland,

appears to be in jeopardy.

Mr Major is angered by Irish nationalist allegations that he is responsible for the breakdown in the peace process by raising "hurdles" to all-party talks. He will reiterate today that it was the British government which initiated the peace process.

"It could not have happened at all, unless we had started it," said one of his close col-

He has been hampered every step of the way, however, by the threat that if he were seen to be conceding too much to the nationalists, he would have faced civil war in the parliamentary party and ministerial

"I do not expect him to give any ground [to Sinn Féin] in his statement today," said a senior member of the government. If that was the case, he said, the parliamentary party would be "wholly supportive". but not necessarily otherwise.

Mr Bruton, who in recent months has expressed frustration at British tactics, believed the bomb had ended suggested that Mr Major's support for elections to a constituional convention had exacer-

This open and shut presentation in the House of Commons of the matter was a mistake," Mr Bruton said. He urged Mr Major to drop the plan. "I believe the idea of having an election of the kind suggested immediately after the resumption of violence would pour petrol on the flames. I think it would be a serious mistake," he said. Mr Bruton said he would press ahead with his government's proposals last week for a Bosnia style conference, in which all parties would be urged to be in the same building but not necessarily in the

same room. But Mr Bruton's credibility,

room for manouevre in the peace process has been limited by Tory Jeremiahs who resented the way the IRA had stopped short of a full renunci-

there were many who doubted that true progress could be achieved between two so thoroughly entrenched camps.

eminent among them were Lords, and Mr Michael Howard, the home secretary.

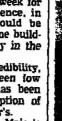
There have been persistent rumours that Lord Cranborne, paign to be re-elected party leader last summer, was contemplating resignation if he perceived that the government was giving too much away to

Senior Tory backbenchers said yesterday that the bomb would bring an effective end to the peace process in its current One of the few Tories who

has consistently advocated involving Sinn Féin in all-perty peace talks described the prime minister as "a prisoner of the 20 or so hardline unionists within the party who won't move unless David Trimble [the Ulster Unionist leader] says it is okay to do so," said

mitted unionists were also yesterday making clear that they the current peace process. In large measure these MPs are among the rightwing sceptic fringe which has caused the prime minister so much difficulty over Europe.

ing Tory unionist, said yesterday that he "didn't see how" the government could continue to deal with Sinn Fein. Mr Neil Hamilton, another leading unionist, said that he doubted Mr Major would want to show flexibility even if he could.



which had always been low among republicans, has been dented by the resumption of violence, like Mr Major's. From the outset Mr Major's

ation of violence. With most of the party at least a pale shade of orange

Even in the cabinet Mr Major found senior ministers voicing doubts about offering too many concessions to Sinn Fein. Pre-Lord Cranborne, leader of the

who organised Mr Major's cam-Sinn Fein in the peace process.

A number of the most com-

Mr Nicholas Budgen, a lead-

#### PRESS REVIEW

UK NEWS: NORTHERN IRELAND PEACE CRISIS

papers, like so many aspects of life in the province, are divided into unionist and nationalist

camps.

"IRA Kills The Peace" said in the the banner headline in the News Letter, the newspaper of the majority Unionist community. Most people were caught off guard by the IRA's devastating London bomb. Not the News Letter. "It is a development which

Torthern Ireland news

will hardly surprise those who had enough wit to realise that the IRA ceasefire of August 31 1994 was nothing more than a ploy by the Provo High Command to wring major political concessions from the government for the narrow republi-

The News Letter says the government cannot allow itself to be intimidated by what it describes as IRA blackmail. It says those who carried out the bombing are totally unrepresentative not only of people in Northern Ireland but of those on the whole island.

"They have absolutely no mandate to commit murder and mayhem and those who would try to make excuses for their actions by attacking the government for refusing to bow to naked aggression are resentment among nationalists

clearly aligning themselves with these forces of evil."
The Sunday Life, which also

reflects unionist opinion, says that in the split second it took to detonate the London bomb, Northern Ireland was once again put on a war footing. "The police are back in flak jackets, with rifles at the ready, double patrolling has been reintroduced and vehicle checkpoints are springing up everywhere."

The Sunday Life warns that if the British government continues talking to Mr Gerry Adams, the leader of Sinn Féin, Unionists might retaliate. "Northern Ireland does not want a return to war. But its citizens will not bend the knee to those who would wage war or their politicians who cannot bring themselves to issue a simple condemnation of such naked aggression."

The Irish News, which is aligned to the nationalist community, takes a very different

stance. While the newspaper condemns the bombing, it goes on to talk of the growing sense of

about what was seen as the unwillingness of the British government to grasp the opportunity for progress offered by the IRA ceasefire.

Impact: severe damage was caused to the Docklands building targeted by the terrorists (top left) and extended to surrounding streets (top right). Police investigating the bomb attack have issued a sketch of a suspect vehicle in an appeal to the public for information, while in Belfast new graffiti made a pointed contribution

Newspapers redraw the battle lines

عدد امنه لأحل

It says that talking to Mr Adams still offers the best chance of peace and warns of the dangers of any British attempt to drive a wedge between him and the IRA.

"Mr Adams remains the man most likely to bring the IRA away from violence and into the democratic process" says the Irish News. It says Mr Major's call for Mr Adams to condemn events in London was

The Irish News also contemplates the dire consequences the London bomb could have on the fragile economic revival in Northern Ireland. It points out that only a week ago Mr Adams was in the US, hanging the drum for American investment in the province.

"Even with peace, Northern Ireland was never at the top of the investors' agenda. However, it was at least part of the equation. The return to the bomb could signal a depressing downturn from which the



Martyn Turner's view in Saturday's Irish Times

taken up south of the border by the Irish Independent. It says that early expressions of interest from foreign investors had tailed off in recent weeks as a return to violence loomed. The paper gives a bleak assessment of the mood in the

aftermath of Friday's bomb. "We have violence back again in our midst, it will affect all of us. It removes, in a permanent and distressing way, all initiatives leading to a peace in the

Mr Adams is the most talk-

Sinn Féin and Mr Adams were bewildered by the IRA action. The paper quotes an IRA contact who said that Mr Major's proposal for elections in the north was the final straw for the group's rank and file. The Sunday Tribune,

another Dublin paper, says that if the Sinn Fein leader fails to find a way out of the political mess the IRA has created for him, he is "a candidate for history's scrapheap".

BONB SITE VISIT - By Scheherazade Daneshkhu

## Blasted building frames a view of West India Dock waters

It used to be a nondescript London junction, like thousands of others. Now it is a 14-foot-wide crater, filled with twisted metal and broken masonry. It was, said Mr John Grieve, the commander of the anti-terrorist branch of the Metropolitan Police, amazing that more people were not killed by Friday's bomb. Looking at the damage, it was difficult not to agree.

Every single window of the tall

buildings surrounding South Quay Plaza, where the IRA's bomb

have been blown out. The explosion, powerful enough to expose the frame of the building, left hundreds of shards of broken blue glass hanging from the shattered window frames. Gazing through, it was possible to see the grey waters of West India Dock.

A concrete structure a few feet away from the crater was unrecognisable. It used to be a shopping mall and newsagents. Offices belong-

tated. Metal and rubble littered the area and the frosted glass of South Quay Station lay thick on the

ground like fresh soow. Over the devastation hung a blanket of silence. In sharp contrast to the frantic activity after the explosion on Friday night, there were no sirens, no paramedics, no helicopters.

The bomb exploded in a blue flatback lovry parked on Marsh Wall next to a slip road into South Quay

with debris, Mr Grieve said the crater was so deep that no one had vet fathomed the bottom and there was a lot of water in it. The bomb, thought to have been between 500lbs and 1,000 lbs, ruptured the gas mains and kept police out of the area for six hours until repairs were made. Both ends of Marsh Wall were cordoned off by police, their luminous lime-green jackets signalling a bar-

exploded on Friday, appeared to Quay Plaza, were similarly devas- the slip road, which was covered force of the blast were allowed viaduct. The station itself lost most through. Most offices, however, bore of its glazing, and decoration and some scars of damage.

of its glazing, and decoration and required "considerable refurbish-Amazingly the Docklands Light Railway viaduct was still standing even though the bomb exploded

almost directly underneath it. Wir-

ing and construction materials hung from the structure.

Docklands Light Railway said a preliminary inspection showed that the station and structure were fun-

ment". There were no trains running south of Canary Wharf yesterday, but trains were operating on the northern leg. Docklands Light Railway said there would be no services until the weekend at the earliest. The police appealed for information about the lorry, probably based on a Ford cargo chassis and was

Richard Needham, a former Northern Ireland minister, in a personal view, says that

#### damentally sound although some repairs would have to be made to the manufactured in 1985. Its number plates - C292 GWG - were false. rier to entry. A few people working in offices further away from the full ing to Midland Bank, opposite South Plaza. It was impossible to identify Dublin and London must stick together and prepare for the worst

he IRA controls Sinn Fêin in the same way that Mussolini's Black Shirts controlled the fascists. Once again that stark message came through loud and clear on Friday night.
What happened in the Dock-

lands was truly dreadful. It could signpost an end to hope for the foreseeable future. It was dreadful for those maimed and wounded, dreadful for the mage of the City of London, dreadful for John Major, John Bruton and, of course, Bill Clinton. Above all simply dreadful for the people of Northern Ireland. Fear now Once again stalks the ghettos of west Belfast, fear of what Will happen next.

Whatever else, this is not a time for recrimination between politicians. They must stick together. Everyone has done their best within the political possibilities to bring the terrorists in from the cold. The fact that the IRA have decided otheruche has more to do with their own perverted judgments than any failure of political tactics or strategy in Dublin

a rapid crackdown on the IRA will allow the economic path to peace to continue and London. So the two governments must now hang peace process, as they saw it, ing John Major into making - even worse - on the street. together and prepare for the

One of the first priorities must be to make sure that the Federal Bureau of Investigation immediately collects the money raised in the US by IRA sympathisers over the past 18 months. Otherwise this could turn into a massive treasure trove for funding the IRA and supplying their active service units with yet more weaponry. We must also not be guilty of

wishful thinking. This is a return to violence by the IRA, not a splinter group or a faction, but by the movement. It has come about because those who were against the peace process from the start have won the argument. "One further great violent push against the British," they argue, "will force Britain out, leave the unionists humiliated and Secondly, if an escalating cam- of sectarian murders. And a have to hold fast knowing that grates, so, given peace, can the of accommodating the defenceless and willing to bar- paign of bombing on the Brit- renewal of violence may trig- sooner or later the peace culture of Ireland. So perhaps and live in harmony.

not as supplicants who were losing but as equal partners with as much right through the power of the bullet to decide Ulster's future as those who were elected.

If Sinn Féin's leadership now claim they suspected nothing of the IRA's intentions that is because they did not want to know. It is stretching the imagination to breaking point to believe that Martin McGuinness and Gerry Adams, both former commanders of the IRA, were not aware of the decision for a further blitz-

From Adams' perspective. last Friday's bombing has three benefits. Firstly, it avoids schism from which would where his own life would be

concessions, the IRA will have been vindicated and remain united. Thirdly, if the campaign fails, Adams can return to the political forum with his internal position strengthened.

This is an appalling prospect as the IRA entirely misreads the position. There is no conceivable chance of the British government wavering. The more the bombs, the more the British people will stiffen their resolve. And politically an intensified bombing offensive can do nothing but underpin the position of the prime minis-

If the IRA expand their campaign so the retaliation will also start again. The Protestant paramilitaries will not come a bitter internal war have forgotten that the main reason for the ceasefire was very much in danger, their indiscriminate campaign of Northern Ireland. Nor can Dublin expect this time to remain immune if the

violence on the British main-

land escalates to the towns and cities of Ulster. So what to do? At this stage prepare determinedly for the worst. Cross-border security will have to work hard at every level to catch those who have spent the past 18 months preparing for a return to hostilities. The measures that were in place before the ceasefire

and quickly. The US, Britain and the Irish Republic must be persuaded now to cut off all contact with Adams until Sinn Féin condemns violence and the IRA returns to the ceasefire. They are pariahs and must be treated as such. We will all

will have to be reintroduced

months of economic regeneration have shown us what the solution can bring. Irish cars and Irish shoppers by the thousand are on the streets of Belfast. Derry has become the economic centre of the north-west as more thousands flock from Donegal to live in a city regenerated by outside investment

and increasing self-belief.

now criss-crossing the border, reducing the prices and strengthening the supply chain. Millions of pounds of investment have come to Ulster from the US, Europe and the Far East since the shooting stopped. Jobs have been found for idle, mischievous hands. Southerners are investing in the North and vice versa. There are clear signs that as the economy of Ireland inte-



Richard Needham: all contact with Adams must be cut off

in their own time the people of the North, living free from fear, will forgive and find ways of accommodating the South

Ireland will come to see - that Adams and McGuinness have done more to destroy the opportunity of a united Ireland than any two men in history. By endorsing and organising violence against the loyalist people - and indeed their own folk - they have obliterated any chance of bringing the two sides of Ireland together and the longer violence continues the longer any chance of unity will disappear into the future. My family come from the Anglo-Irish tradition and I

spent six and a half years as a minister responsible with others for rebuilding the Northern Ireland economy and the bombed towns and cities. Even before the ceasefire the conditions in Belfast, Londonderry, Newry, Armagh and Enniskillen, to name but some, have changed unalterably for the better. That progress will continue. That is the economic path to peace. It is the only path which makes any sense One day even the men of violence will be forced to see that

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STANTON OF LANDS

## Managers buy anti-virus software company

The husband and wife who developed the Dr Solomon's Anti-Virus Toolkit software package have sold their company to a management buyout. S&S International has annual sales of £20m (\$30.8m) and sells the Toolkit in more than 60 countries.

Mr Alan Solomon and his wife, Susan would not say how much they received for the company. The buy-out, funded talists led by Apax Partners, places the Solomons among Philips wins five-year systems contract from ICI

Philips, the Dutch electronics group, has been awarded a £75m (\$115.5m) five-year outsourcing contract by ICI to run the chemical group's computer systems, Michael Dempsey writes. The contract, which involves taking on 399 staff, will be managed by Origin, an organisa-tion formed by Philips by to handle its outsourcing operations. Origin beat EDS and CSC, the

two leading US outsourcing companies, for the ICI deal. Other bidders included Sema, the Anglo/French group, and ICTs in-house IT department. Grundig, the German consumer electronics company, has also recruited Origin to run its IT operations. Under the latest deal Origin will take charge of ICI's mainframe computer centre at Runcorn in north-west England.

ing north American anti-virus Britain's most successful softpackages, are highly rated ware entrepreneurs. Similar companies in the US, technology stocks. S&S International hopes to such as McAfee Associates which makes one of the leadexpand further in the US under

Geary. "The growth potential is worldwide, but clearly the US market is the largest

encouraging initial success," he said. Mr Jim Pullen, director of Regent Associates, an IT mergers and acquisitions consultancy, said Apax was likely to have paid between £20m and £30m for S&S Inter-

national S&S International's first sales in 1984 were software packages which Mr Solomon wrote in the evenings while working as an oil sector analyst at stockbrokers Laing & Cruickshank.

He said that his wife marketed the products part-time during the day while looking after a baby. Mr Solomon gave away the

early versions of the anti-virus software developed in the late 1980s having decided that viruses were not a threat.

"Viruses were like an urban legend in those days - no one had seen one but everyone had heard of them." Mr Solomon said. Now there are 8,000 known viruses, and hundreds of new strains are discovered each month, he added. About 300 were "a real threat".

Media Futures, Page 15

Vehicle industries Impact of EU pollution rules and of moves into contract hire makes forecasting difficult

## Uncertainty clouds truck market

Motor Industry Correspondent

Manufacturers and importers of trucks are unsure about the likely progress of their businesses this year amid conflicting signals from customers.

They agree that 1995 was a good year in which demand picked up strongly, raising sales of commercial vehicles of all types by 9.6 per cent to 249,928 units. Sales of vehicles weighing more than 3.5 tonnes rose by almost 17 per cent to 52,261 units - comfortably above the annual level of 50,000 vehicles which some manufacturers think is a long-run equi-

The picture for 1996 is more confusing. Iveco-Ford, the UK's second biggest truckmaker, expects sales to remain buoyant with an increase of up to 7 per cent to 56,000 units. "There has been a downturn in the rate of growth, but no decline", says Mr Roger Phillips, its commercial director. "While there's no euphoria, there's no doom and gloom either. There's no sign we're about to slip back into recession".

By contrast, Mr David Gill, the chief executive of Leyland Daf, the UK market leader, says prospects are uncertain because hauliers fear that the economy will soften. He believes that the rate of growth in demand for new trucks slipped in the second half of 1995, and fears that orders may

now start to fall. Mr Jürgen Knorpp, the UK The used car market in Britain will increase by nearly 1m vehicles a year by the end of the decade, says Market Facts and Business Information, the firm of analysts. The firm also concludes that the market will provide dealers with better profitability than new cars. MFBI forecasts that used car sales through the retail motor trade will rise by 16 per cent between 1995 and 2000 from 5.6m vehicles worth £17bn (\$26.2bn) to 6.5m vehicles worth £22bn. The study coincides with statistics from the Society of Motor Manufactur-

managing director of MAN Truck and Bus, is also cautious. "We expect the market to be at best stable, and possibly to fall by as much as 5 per cent this year," he says.

ers and Traders showing virtu-

in January, a situation

ally stagnant sales of new cars

Most executives admit that forecasting has become more difficult. Mr Gill says sales might still exceed last year's if customers brought forward orders before the introduction of less polluting but more expensive trucks in October.

The impact of European Union emission legislation is one of two imponderables facing the market. The new rules will oblige manufacturers to fit cleaner but more expensive engines. The 5 per cent rise in prices which is expected to result seems modest. But hauliers believe it will be enough to described as "very disappointing" by the Retail Motor Industry Federation, which try's franchised dealers.

The analysis warns that carmakers, driven by the short-term need to keep production lines busy, are preju-dicing their own well-being through what it says is the virtually "programmed" man-ufacture of nearly-new cars. These are vehicles which are pre-registered by dealers in the absence of buyers and declared to be "demonstra-tors", or used for a token period before being returned to the marketplace as "used"

affect demand in the cut-throat road transport business, in which about 60 per cent of companies are highly pricesensitive medium-to-large

Some manufacturers think the new EU rules could simply boost demand. The EU standard introduced in 1993 triggered higher sales as hauliers bought more modern vehicles which offered lower emissions and better fuel economy.

The second imponderable concerns the growing number of truckmakers establishing contract hire offshoots. Contract hire has gained popularity as hauliers have sought to offset the cost of a new vehicle by spreading their expenditure over time. Most deals include an agreed trade-in price for the

Acquisitions

maintenance arrangements, giving operators almost complete control over their operating expenses. "Contract hire means an operator is buying kilometres, not trucks," say

one executive. Mercedes-Benz and Volvo already have contract hire divisions, Iveco-Ford is about to take the plunge, while Scania has started marketing its established operation more aggressively of late.

It is unclear how internal contract hire divisions will affect relationships between truckmakers and importers on one side and big contract hire customers such as Ryder and British Road Services on the other. Such specialists account for up to half of demand for some truck companies, one executive believes.

Mr Gill says Leyland Daf has no plans to enter the business, mainly because contract hire companies are its biggest cus-

"We're not looking to com-pete with the contract hire specialists", says an Iveco-Ford official. "But as they focus more on fleet management and logistics, such as running the entire distribution fleet for a leading retailer, we can pick up contract hire business for smaller operators."

Whether diversification into contract hire will boost truck demand remains uncertain. But it should lead to some reallocation of business between

Truck registrations in January 1996 Volume Share (%) Share (%)

	(Uaits)	Change (%)	Jan 95	Jan 94
Trucks (over 3.5 tonnes)				••
Total	4,248	+1.1	100.0	100.0
Imports	2,645	+4.3	62.3	60.4
heco group (Flat)	610	+9.5	19.7	17.6
Mercedes-Benz (Daimler-Benz)	8G7	+1.5	19,0	18.9
Leyland Dat (Dat Trucks)	700	-19.2	16.5	20.6
Scania (Investor)	522	-427	14.6	10.4
Volvo	557	-12.3	13.1	15.1
ERF	218	+3.3	5.1	5.0
MAN	202	-29,5	4.8	3.7
Renault	142	-15.0	3.3	4.0
Of which Heavy Trucks (over 15 to	onnes)			•
Total	2,812	-3.42	100.0	100,0
Scania (Investor)	622	-42.7	22,1	16.0
Volvo	526	-8.1	18.7	21.0
Leyland Daf (Daf Trucks)	396	-16.5	13.7	17.0
Mercedes-Benz (Daimler-Benz)	352	-0.9	125	13.7
lveco group"(Fiat)	344	±19.0	12.2	10.6
ERF	218	-3.3	7.8	7.6
MAN	125	+30.2	4.5	3.5
Remark	95	-18.1	3.4	4.3

inames in brackets indicate ownership includes Iveco Ford and Seddon Alkinson.

Volkswagen and Flat gain in car market

		January 1996		Jan 75
REGISTRATIONS OF NEW CARS	Volume	Change%	Share%	Share%
Total market	191,761	<b>-0.3</b>	100.0	100.0
UK produced	75,029	-4.5	39.3	41.1
Imports	116,732	-3.7	60.9	58.9
Japanesa makes	23,205	+7.3	12.1	11.3
Ford group	42,903	-3.4	22.4	23.3
- Ford	41,837	-0.9	21.8	22.6
- Jaguar	1,065	-8.1	0.6	0.6
General Motors	29,333	-11.8	15.3	17.2
<ul> <li>Vauxhall</li> </ul>	27,957	-12,0	14.6	16.6
- Saab*	1,376	+23.9	0.7	0.6
BMW group	25,794	-3.0	13.5	13.9
- BMW	5,018	-19.2	2.6	3.3
- Rover	20,776	+1.9	10.8	10.7
Paugeot group	24,516	-3.3	12.6	13.3
- Peugeot	14,708	+1.5	7.7	7.6
- Citroen	808,8	-0.9	5.1	5.7
Volkswagen group	14,902	+35.0	7.8	7.8
Volkswagen	9,249	+27.1	4.8	3.8
- Audi	3,449	+64.9	1.8	1.1
- SEAT	1,550	+283.9	0.8	0.3
- Skodet	654	-41.8	0.3	0.6
Renault	11,695	-2.9	6.1	6.3
Nissan	7,477	-4.9	3.9	4.1
Flat group	7,155	+21.7	3.7	3.1
– Flat	6,868	+20.3	3.6	3.0
- Alta Romeo	287	+72,9	0.2	0.1
Honda	5,315	+8.0	28	2.6
Toyota	5,146	+21.6	2.7	2.2
Mercedes-Benz	3,716	-1.8	1.9	2.0
Volvo	2,906	-29.0	1.5	2.1
Korean makes	3,527	+274.0	1.8	0.8

vice in order to increase their

need 10 years to evolve a European structure," he added.

UK NEWS DIGEST

## Pensions lawyers switch firms

Sacker & Partners, a specialist pensions law firm, has recruited the entire pensions department of rival firm Nicholson Graham & Jones. The move will make Sacker, which will have 12 partners and 20 lawyers, the biggest specialist pensions practice in Britain.

The four partners and four other lawyers recruited from NG&J accounted for about 8 per cent of the firm's income. The move is indicative of intense competition between law firms and the poaching of teams of specialists is becoming increas-ingly common. The team at NG&J had a high profile in the industry. Its department head, Mr Ian Pittaway, is a former chairman of the Association of Pensions Lawyers. He was also the lawyer for the Mirror Group Newspapers pension scheme before the death of publishing tycoon and Mirror owner Robert Maxwell.

The move reflects the growing demand for specialist legal advice on pensions since the passage of an act which takes effect in April. The act formalises the fiduciary duties of trustees, and increasingly schemes are seeking legal advice. from solicitors who do not already advise the employer. Mr Michael Johns, managing partner at NG&J, said the departure of its pensions team had been "an amicable arrangement". Under the agreement NG&J will receive a payment from Sacker and will refer its own clients there. It will transfer to Sacker the share capital of Independent Trustee, a company built up by NG&J to provide independent trustee services to clients. After the departures, NG&J, which specialises in corporate and property law, will employ 110 lawyers, 41 of whom Norma Cohen, London

#### MPs make sell-off demand

MPs are likely to call for the country's newest power station Sizewell B on the east coast of England, to be excluded from this summer's planned privatisation of British Energy. The trade and industry committee of the House of Commons is likely to urge the government to withdraw Sizewell B from its plans. The main argument for this is that, with the Treasury estimating the net profit from the sale at about 22.6bn (\$4.0bn) the entire privatisation could raise less than the \$2.7bn it cost

Such a move would be a serious blow to the sell-off as Sizewell B is the most modern of the eight reactors under the hammer. Privatisation is already in serious doubt because of the government's failure to resolve the issue of who should bear the decommissioning costs of the reactors. One committee member said: "We feel that Sizewell is actually going rather well, and that given another six months or a year it could raise more money for the government. It seems silly to rush to sell an asset which is appreciating in value at a knockdown price." Robert Shrimsley, Westminster

#### Network service expands

Torch Telecom, a joint venture between Yorkshire Electricity and Kingston Communications, will today announce new customers for its advanced intelligent network service, including one of the biggest deals of its kind in Britain. The effect will be to increase revenues more than fourfold. This year, its first in full commercial operations, Torch had turnover of about £3m (\$4.6m). It expects turnover of at least £14m next year.

It has signed a contract worth about £40m over five years with Interactive Media Services, the UK's biggest automated call handler, which records and answers more than 50m calls a year on behalf of customers including leading advertisers and media owners. Torch won the IMS contract in competition with British Telecommunications and Mercury. It will provide IMS with 600 additional interactive voice processing systems, giving the call handler 2,400 fully automated lines.

Alan Cane, Industrial Stuff

#### Daewoo opening in N Ireland

Daewoo, the South Korean carmaker, is to open its first wholly owned showroom in Northern Ireland in April. The move to set up a retailing network in the region follows Daewoo's successful introduction in mainland Britain. It has become the fastest-growing car brand on record since sales began lat.

April through a network of wholly owned showrooms and : Nearly 15 000 ca were sold in the first nine months of Daewoo's operations. That was despite motor trade predictions that the company would be handicapped by not taking the conventional approach to car sales through a network of independent dealers. The first Northern Ireland outlet is to be in Belfast, with

John Griffiths, Industrial Staff

#### Accountancy firm expands

Price Waterhouse, the "Big Six" accountancy firm, is to help establish a stand-alone legal firm. It will probably be placed in-house but will be independent of the accountancy firm and able to accept its own clients. The move is designed to fill a gap in PW's European-wide network of associated legal firms. The firm is to be headed by Chris Arheim from the Leedsbased firm of Hammond Suddard. Stand-alone firms can provide a wide range of services to PW's clients without follows. vide a wide range of services to PW's clients without falling foul of Law Society rules which restrict in-house lawyers. PW is the second "Big Six" firm to take the routs - Arthur Andersen also has an associated law firm.

Jim Kelly, Accountancy Correspondent

Driver gives up: Mr Keith Murray, a publisher from Aberdeen in Scotland, announced that he was giving up driving after failing his test 35 times in 10 years. The tests and his 1,450 lessons have cost £9,000 (\$13,860). "Tm a nervous person at the best of times, and I just couldn't handle doing my test with someone sitting beside me watching my every move," he said.



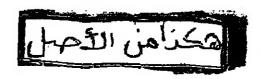


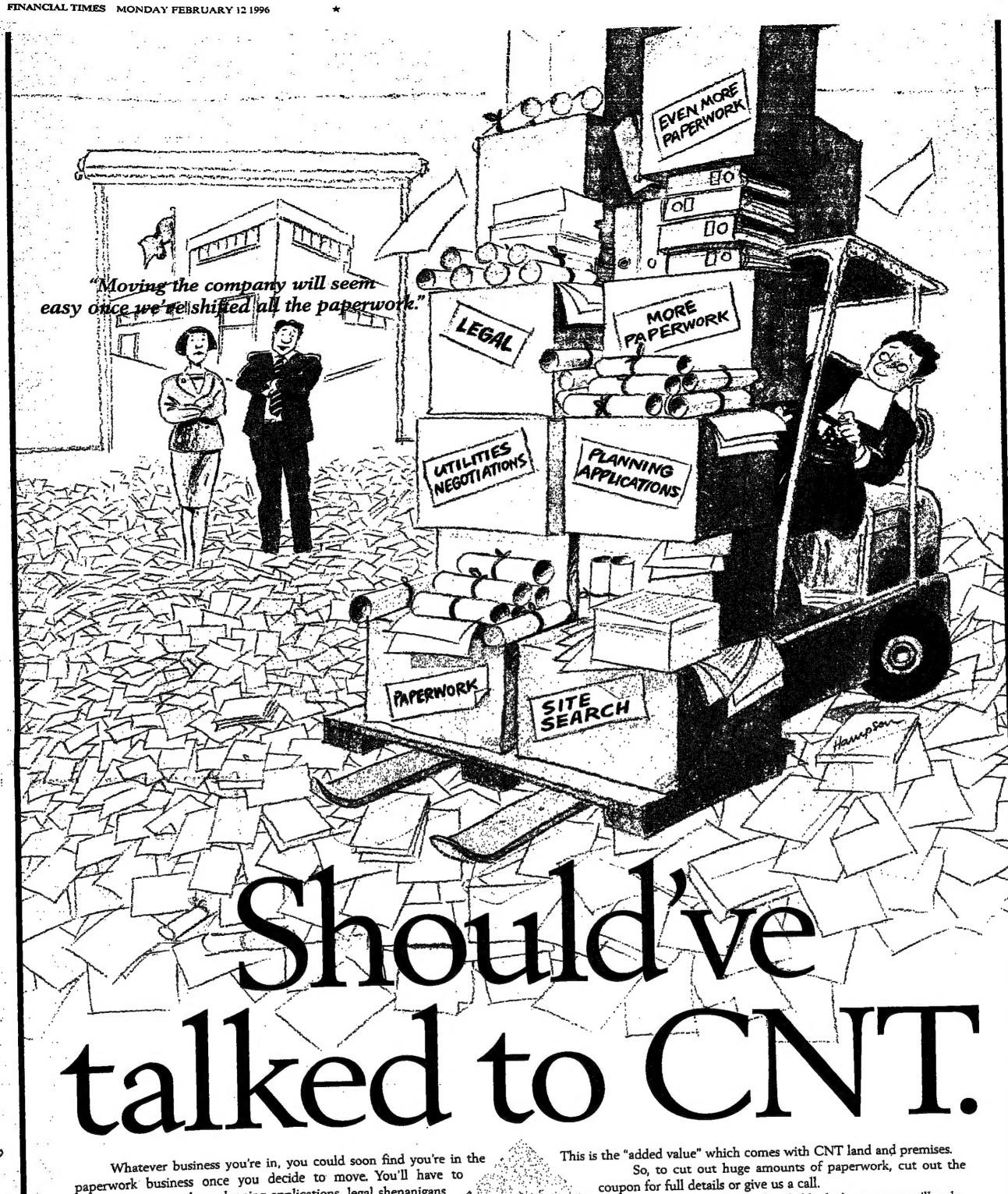
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ympathy seems to be an especially fickle emotion in Italy. When great disasters and tragedies happen, a wave of sympa-thy is quickly generated and then fanned enthusiastically by the media, as though there is competition to show the greatest concern. But pretty soon attention is diverted and the sympathy evaporates as quickly as it materialised. It will be interesting, therefore, to observe the staying power of the sympathy and attention given to Venice as a result of the fire which gutted the city's historic La Fenice

fire which left only the shell of the 200-year-old opera house standing. Venice enjoys a special place in the Italian cultural pantheon, and the opera house was redolent with famous operatic associations. Venice also possesses an energetic and charismatic mayor in the form of philosopher-politician Massimo Cacciari. As a result, there is great interest in the fate of the Fenice. Several newspapers have set up special collection funds and writers have started to discuss the logistics

opera house. Nearly two weeks

have passed since the disastrous

## Passionate about culture – sometimes

of rebuilding the building in two years. The government says it is willing to waive the procedure requiring 34 signatures for each document concerning the reconstruction of an historical monument in an historic city centre. The president of the republic has even made a special visit to the site. Fund raising concerts are being planned and more money is likely to be collected as the Venice carnival gets under way this week.

Yet precisely because Venice can ask for and receive special treatment, the Fenice fire has drawn attention to other less fortunate cases. These include the Petruzelli opera house fire of October 1991. News of this fire has long been off the country's front pages, even though it destroyed the complete interior of the opera house, built in 1898 in Bari, southern Italy, and one of the most important opera houses in southern Europe.

Promises of a quick reconstruc-

DATELINE

Rome: Italians can be surprisingly fickle when it comes to salvaging and maintaining the country's heritage, reports Robert Graham

tion were made at the time, as reports emphasised the theatre's importance to southern culture. Yet nothing has been done. The Petruzelli, one of only a few private opera houses, stands as a disused

The story behind the fire is a sordid one. After an extensive police investigation, and an underworld tip-off that the fire was delib-erately started, Fernando Pinto, the opera house manager, was arrested in July 1993 for alleged arson. It was discovered that the proprietors, the Messeni Nemagna family, were to sell the ruined theatre to the local authorities for an agreed, cheap price.

A costly reconstruction (out of public funds) was then to follow, providing the opportunity for a con-tract to be awarded to firms that were almost certainly linked to the

Pinto successfully challenged the initial case against him. But subsequent investigations led to the arrest of two others who were then accused of being directly responsi-ble for starting the fire.

This week Pinto is expected to appear before a Bari court charged with having provoked the fire to profit from the reconstruction. Meanwhile, the status of the Petruzelli is in limbo. The propri-

etors still plan to sell the theatre, but require permission from the municiplity for a change of use for

the building. The matter is complicated by the original land concession which will be up for renegotition in three years' time. While the municipality will buy the theatre, there is a discrepancy between what the

mayor and councillors think the Petruzelli is worth in its pres-ent state, and what the owners are asking Many believe that the municipality is dragging its feet until the land concession expires.

Like so many things in the south, the saga risks becoming more entangled and complex as time goes by. This has happened in the case of the Teatro Massimo, an enormous opera house which dominates central Palermo in Sicily and which has been closed for more than two decades while desultory repairs are carried out.

Reconstruction of the Petruzelli is also hampered by Bari's lack of international appeal and consequently its inability to maintain nterest in its plight. Venice, on the other hand, has enormous appeal, as does Florence, illustrated when a wing of the Uffizi gallery was damaged by a mafis-planted car bomb in May 1993. Appeals for help were answered immediately.

Equally, Naples, as host of the G-7 summit in July 1994, lifted its profile and attracted government funds for city improvements. Antonio Bassolino, the city's mayor, helped put the funds to good use, re-establishing Naples on the tourist map and boosting its

conference business. However, away from the tourist trail and just beyond Naples city centre, decay continues. In the huge hinterland that stretches from Vesuvius to the coast beyond Poz-

zuoli, neglect is all too obvious.

Pozzuoli, rich in history, looks a shadow of its former past. The coastline once boasted fine Roman villas and its port still has the third largest surviving amphitheatre in Italy. Under 16th century Spanish rule, magnificent forts were built, and until the late 19th century a visit to the Solferata, the steaming sulphure volcano at Pozzuoli, was de rigueur for any European travel-ler in Italy.

To stem the decay, Pozzuoli somehow has to gain the attention and sympathy of the Italian public - a task for which there is a great deal of competition.

1117

#### PEOPLE

## Outsider from the trenches

Alistair Defriez is a popular choice to head Takeover Panel, writes David Wighton

listair Defriez's appointment A as the next director-general of the UK's Takeover Panel caused some surprise in the City of London last week. "Its extraordinary - they've given the job to someone with a sense of humour,

joked a colleague.

A popular choice for what is one of the City's top jobs, Defriez has been a member of the corporate finance department of what is now SBC Warburg for 16 years.

"He is not the suave, old-style City type you might expect in the job and he doesn't take life too seriously. But he is actually much more representative of the modern City. says a fellow investment banker.

Michael Tory, a former colleague at Warburg who recently moved to Morgan Stanley, describes it as an "inspired" appointment. "Alistair balances intellect with iconoclasm in a way that will be beneficial to the panel and to City practice."

The City is proud of the panel, an independent body which oversees the conduct of takeover bids. It is the one arm of the City's system of self-regulation which is generally ludged to work well. By tradition. the director-general is an active merchant banker who takes a twoyear secondment from his firm.

Unlike some directors-general, who, by the nature of their seniority, have become somewhat divorced from the day-to-day business of bids. Detriez, 44, has stayed in the thick of it.

He has been involved in a number troversial, battles, most recently defending Northern Electric against Trafalgar House and (unsuccessfully) Forte against Granada. In both cases, he made frequent appeals to the panel about the conduct of his opponents.

in the Northern Electric bid, he challenged the controversial derivative contracts struck between Trafalgar and its advisers, Swiss Bank Corporation, which some viewed as breaking the spirit of the insider dealing regulations. After an



decided to review the rules.

The panel is widely expected to conclude that no significant former director-general of the panel, changes are needed, but Defriez on Forte's defence, and SBC Warinsists this will not cause a problem for him. "It would be wholly wrong to go into the position carrying over a legacy," he says.

The Northern bid was so hard fought that when, a matter of weeks later, Swiss Bank Corporation took

inquiry, SBC was cleared of breaking the takeover code, but the panel over Warburg, many thought Defriez's days at the firm would be numbered. Yet he was soon working with John Walker-Howarth, a burg insiders deny that his pros-pects in the firm have been blighted. "He would not expect to

make it to the very top but he is a very solid operator," says one. Defriez admits that the new job has its downside. "For two years,

you are out of the game. But it is a great honour and it is one of those invitations you cannot refuse."

While his appointment has been well received, there are some observers who question whether the invitation should have been made to a higher-profile figure. They argue that the next two years will see a serious challenge to the system of self-regulation, particularly from Brussels, which could threaten the City's competitive position. What the City needs is a heavy weight around which people will rally. It is a very important issue which we cannot afford to get wrong," says one senior investment

Defriez agrees it is an important issue to which he expects to give considerable time, together with the panel's chairman, Sir David Calcutt. "In some respects, one would like to see greater harmonisation across Europe but not at the expense of

our non-statutory system."
In general, Defriez believes the panel is working well, and he scrupulously avoids criticism of his predecessors. But other bankers believe there is scope for the panel's operations to be tightened up. Over the last few years, the panel has begun to lose touch with the operators, and in some areas it has become ossified," says one. "Defriez will stress the importance of a speedy response - like a good foot-

Defriez, the son of a City fund manager, was educated at Dulwich e in south London and University College, Oxford. He spent five years at accountants Coopers & Lybrand before joining Warburg.

He proudly reveals he captained his college rugby team at Oxford where he was a nippy fly-half. Perhaps best described as stocky, he spends Sunday mornings coaching the under-12 rugby team in which his two sons play, and regularly works out in a City gym. But as he admits with a typically self-depre-cating chuckle: "You wouldn't think so to look at me."



#### Deutsche Telekom decides it will go Dutch

It takes some guts to hire a former chief executive of Fokker, the trou-bled Dutch aircraft maker which has made headlines around the world in recent weeks, writes Michael Lindemann in Bonn. But that is exactly what Deutsche Telekom has

Erik Jan Nederkoorn, the 53-yearold who started his professional career as an auditor at the accountancy firm Price Waterhouse, last week assumed responsibility for all Deutsche Telekom's international activities, an area which will be of key importance to the company as it strives to become a global force in the rapidly changing telecoms mar-

It was Nederkoorn, Fokker's chief executive from 1991 to 1994, who negotiated the sale of Fokker to Germany's Daimler-Benz, a deal billed as a triumph for Europe's zerospace industry but which has ended in tears in recent

Yet some analysts point out that Nederkoorn has been vindicated following the recent disasters at Fokker. It was Nederkoorn, after all, who wanted to make more substantial cuts at Fokker in an effort to improve productivity. When that proved impossible he left, becoming chief executive of Arke, the Netherlands' biggest package tours and tourism group, owned partly by the Dutch aviation carrier KLM and partly by TUI, Germany's biggest Given Arke's German parent -and the earlier negotiations with Daimler-Benz - Nederkoorn has had plenty of exposure to German corporate life.

Indeed, he hopes to draw on his experience to help Deutsche Tele-kom in its dealings with politicians in Bonn, as the company moves towards partial privatisation later

Ron Sommer, Nederkoorn's new boss and Deutsche Telekom's chief executive, has yet to develop those

#### Pedro Aspe opts for a politically correct position

Pedro Aspe, Mexico's former financial czar, has just emerged from the statutory year of purdah imposed on ex-civil servants to take up a senior position with the Monterreybased Pulsar group, writes Leslie Crawford in Mexico City.

Aspe is perhaps the only member of Carlos Salinas's government whose reputation is still intact following the financial crisis and corruption scandals that have hounded the former president.

He studiously kept out of the fray while Salinas and his successor, Ernesto Zedillo, traded recriminations over the disastrous devaluation of the peso in December

While the debate raged around him. Aspe kept silent, neither defending nor admitting mistakes in his handling of economic policy. While there had been speculation that he might become president of the Central Bank of Mexico or even take a job on Wall Street, Aspe has joining Pulsar's new investment bank as a pariner and managing

In a country where politics and business frequently mix with unsavoury results, Aspe appears to have chosen his new occupation with care. Pulsar, which has interests in insurance, textiles and cigarette manufacturing, is one of the few conglomerates in Mexico that did not get involved in the wave of acquisitions flowing from Aspe's privatisation programme.

Meanwhile, those who want to know what Aspe really thinks about recent economic history should perhaps roll up to his classes at the Technical University of Mexico, where he has been teaching economics for the last year. Aspe won't be giving up his professorship. He has simply rescheduled his classes to start at

#### Chrysler finds its its very own Warren Buffett

Chrysler may have succeeded in keeping Jerome York, an ally of dis sident shareholder Kirk Kerkorian off its board. writes Richard Waters in New York. But in John Neff, the famously outspoken mutual fund manager, it has just given a seat to someone whose presence in the boardroom is likely to prove equally as bracing.

Neff's arrival is part of a complex balancing of interests designed to bring peace to the US carmaker. The Kerkorian camp obviously approves: York says he was consulted about the Neff appointment efore it was announced

Neff, who retired at the end of last year after 30 years managing the Windsor Fund, is one of the elder statesmen of the modern mutual fund era. Like Warren Buffett, the legendary investor, Neff turned the business of spotting undervalued stocks into an art form, averaging a return of more than 13 per cent over his three decades, against the S&P 500's return of around 10 per cent.

Now 64, Neff has created waves in Chrysler's boardroom before. Back in 1991, when he controlled 7 per cent of the company, he publicly urged it to strip the legendary Lee Iacocca of his chairman's title and give it instead to Bob Lutz, the president. Chrysler met him half way, handing the crown instead to Bob

As another big Chrysler shareholder said at the time: "If you own 7 per cent of the stock, I don't see why you can't express an opinion about it." That, no doubt, is a sentiment with which Kerkorian would sympathise.



#### Economics Notebook / Robert Chote

## Graduate glut forecast for 2001

Expanding educational opportunities in the UK look set to create as many losers as winners

Imagine the scene in five years' time. More than 800,000 frustrated graduates scattered across Britain, unable to find jobs which make use of their hard-earned qualifications. A discouraging prospect for anyone contemplating higher education.

But is it really conceivable that Britain could have too many graduates in 2001? After all, politicians and economists never tire of warning us that we must improve our education system. The UK faces rapid technological change and competition from low-wage rivals overseas, they argue. So improving the quality of the workforce is the only way to safeguard jobs and

That may be true in the long term, but for now the British edu-cation system is churning out more highly qualified workers than employers need. The number of highly qualified people in Britain is expected to rise by 45 per cent dur-ing the 1990s, while the number of "suitable" jobs for them is set to increase only two-thirds as fast.

These gloomy predictions come courtesy of Rob Wilson at Warwick University. He would be the first to admit that long-term projections of demand and supply in the labour market should be taken with a hefty pinch of salt. But his work nonetheless provides a salutary reminder that expanding educational opportunities can create los-

ers as well as winners. During the 1980s employment of highly qualified people in Britain rose at a brisk 4 per cent a year, reaching 4.6m in 1991. Over the same period employment in the economy as a whole rose by only 0.7 per cent a year, reaching 26.3m.

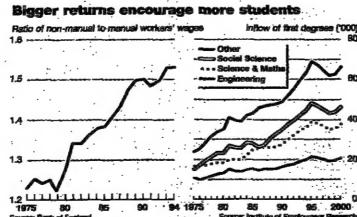
(The highly qualified here include all university graduates and holders of equivalent professional qualifications, plus post-graduates and anyone with a qualification exceeding the "A"-level taken at age 18).

The main reason for the rise in graduate employment during the 1980s was a shift in demand towards managerial and professional occupations. Wilson expects this to continue in the 1990s, driven by "organisational and technological change". Engineers, technologists, computer programmers, and business and financial professionals will also be sought after.

But what about supply? The proportion of young people entering higher education has been rising for 30 years, reflecting rising incomes and easier access to college. This trend is expected to continue or at worst flatten in the next few years. But with the number of 21-year-olds set to rise rapidly after 1998, this implies "a sharp increase in the numbers of those obtaining higher level qualifications in the

next few years".
With supply outstripping demand on current trends, Wilson expects the workforce to contain 6.9m highly qualified people in 2001. But there will be only 6.1m high-level jobs available for them to do.

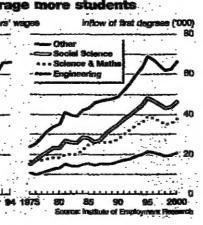
So should we resign ourselves to a dystopian society in which gangs of unemployed Oxford alumni gather in shopping malls, drinking meths and discussing Derrida? Probably not. As the surplus of highly educated people grows, supply and demand will respond. For example, a fall in the earnings premium which the highly educated enjoy might simultaneously dis-



courage people from entering higher education and make graduates more attractive to employ. In the US the education premium

has risen rapidly in recent years. College graduates on average earned 74 per cent more than high school graduates in 1994, up from only 38 per cent more in 1979. A rising education premium also shows up in the growing differential between the pay of non-manual and manual workers in the UK.

The surplus of highly qualified people may also be contained if demand for them grows more quickly than recent trends suggest. Technological progress and compe-tition from newly industrialising countries may skew demand away from unskilled workers and towards the skilled even more quickly than it has done already. As Alan Krueger of Princeton University argued at last week's World Economic Forum in Davos, the



spread of computerisation is making employers increasingly keen to take on highly educated staff.

"Qualification inflation" is another possibility. As well as applying for the new highly skilled jobs created by technological prog-ress, the well educated may also compete for jobs currently held by the less qualified. And once the highly qualified move into those jobs, there is evidence that they move the skill requirements involved permanently upmarket. This means the less well educated have difficulty recolonising these positions even if they get the

opportunity later on. In some cases employers reject the highly educated as candidates for these jobs because they regard them as over-qualified, and therefore suspect that they will move on quickly when they find something better. But there is evidence from both sides of the Atlantic that

many well educated people have moved downmarket. In the US the proportion of graduates either unemployed or in "high school jobs" has risen from 11 per cent in 1970 to 20 per cent in 1990, with the

UK showing similar trends.

This is an alarming prospect for neople in the middle of the labour market - those who are neither

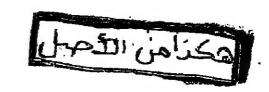
unskilled nor highly educated.
On the one hand, they face competition from better qualified rivals at home who cannot get the high level jobs they desire. And on the other hand they face competition from their peers overseas. As an article to be published in this week's Bunk of England Quarterly Bulletin observes, investment in technology and education in the newly industrialising economies of Asia means that their citizens are increasingly competing with their skilled western counterparts rather than the unskilled.

This does not imply that encour-aging more people into higher edu-cation in Britain has been a mistake. As more companies adopt the sorts of technology which will allow them to exploit highly quali-fied employees, so the rewards will gradually become more apparent. But the process might well prove painful in the short term. Many graduates are having to lower their career expectations for a few years and this in turn may step up the already intensifying pressure on those people just below them on the skills and education ladder. Review of the economy and employment: future employment prospects for the highly qualified, by Rob Wil-son. Institute for Employment Research, Warwick Univ., 1995.

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## Monday February 12 1996 Banks to be picked for plum Polish sell-off

By Nicholas Denton in London and Christopher Bobinski in Warsaw

Poland is about to appoint the investment banks which will manage the largest privatisation in eastern Europe this year - the international public offering of state copper producer Polska Miedz, expected to value the company at about \$2bn (£1.2bn).

Some 13 consortia - including most of the leading US and European investment banks and Poland's largest commercial banks - submitted plans for the privatisation on Febru-

ary 2. Polska Miedz said the privatisa-tion ministry, which controls the company, was expected to draw up a shortlist by the end of the month and

then choose managers for the sale.

A consortium led by Goldman Sachs, and groups led by SBC Warburg and CS First Boston, are considered the strongest contenders. The participation of HSBC and N.M. Rothschild in its team bolsters Goldman's effort; SBC Warburg analysts have particular expertise in the mining industry, and CS First Boston has extensive experience in eastern

Europe. Competition for the position of lead manager is intense because Polska Miedz holds five per cent of world copper reserves and its sale will be Poland's largest single privatisa-

The privatisation ministry is considering an international sale of global depositary receipts listed in London, representing about 15 per cent of the equity of Polska Miedz and worth about \$300m. A further 10 per cent, worth about \$200m, will be reserved for domestic investors and about 15 per cent for distribution to

42,000 employees. The company, which is to be floated on the Warsaw Stock Exchange, will represent about a third of the market's capitalisation.

The rise in copper prices between 1984 and 1996 lifted revenues at Polska Miedz by 45 per cent to 3.78bn zlotys (1970m), on which the company made an estimated net profit of 450m-500m zlotys. But investment bankers pitching for the privatisation mandate are concerned that the copper price, which ended last week at \$2,570 per tonne, is past its cyclical peak. Polish copper deposits are deep and

Singre price relative to the FT-SE-A Af-Share indust

Performance of leading brands in US Volume 1991-94 (% change)

tors are able to use more efficient open-cast mining methods. It costs Polska Miedz 82 cents to extract a pound of copper, compared with 40-70 cents for competitors in the US and

South America. Bankers are also concerned that Polska Miedz's diversification plans are reducing its appeal. It is investing heavily in mobile telecommunications after Polkomtel, a consortium including Polska Miedz and Airtouch of the US, won a licence to provide GSM

TONY JACKSON GLOBAL INVESTOR Merrill Lynch and Salomon say they expect 20 per cent of their future revenues in investment banking to come from telecoms worldwide. The sector, which is valued at about \$650bn after a wave of international privatisations, still only represents 5.5 per cent of the total value of world stock markets. If Merrill and Salomon are right, that proportion is

bound to rise. Page 24

You have more chance of being struck by lightning than finding an economist who believes European economic and monetary union will take place in 1999 with the original Maastricht signatories. But while bond prices suggest investors expect some form of Emu to take place, the implications of a delay are not clear. Page 26

**E** EMERGING MARKETS:

The examples of Latvia and Lithuania suggest investors might be wise to keep a close eye on the debt market. Fairly low inflation and strong currencles in both countries make government paper a good buy. Page 25

E CURRENCIES Sterling will be in the spotlight as the markets respond to

renewed IRA bombing. Some selling pressure is expected, but sustained weakness is not. The heat may be on later in the week, however, after the release of the Scott report into the sale of arms to Iraq. Page 29

The International Precious Metals Forum kicks off in the UK this week against a background of increased market activity after the London gold price burst through the \$400 a troy ounce barrier in the new year to hit an all-time high just over a week ago. Page 24

IN INTERNATIONAL COMPANIES: A consortium headed by Deutsche Telekom, the state

telecommunications network, and Bertelsmann, Germany's largest media group, is holding a crucial meeting today aimed at seeking agreement on a standard decoding box for the launch of pay-per-view digital television this year.

III UK COMPANIES:

Two Scottish fund managers are understood to have made their final offers for Dunedin Fund Managers, the Edinburgh-based investment management company controlled by Bank of Scotland, which is for sale after staff defections and resignations. Page 22

Companies this week appear on Page 24

## STATISTICS es this we Dividend payments ...... FT/S&P-A World Indices

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## Companies in this issue 20 Marikum Business Bir Pacific Dunion **Apid Corp** Torch Telecom

## MAM sale Roderick Oram reports on Allied Domecq's struggle to pull off a turnround highlights doubts on rival bid

By Raymond Snoddy

for MAI

City of London doubts that a rival bidder might launch an offer for MAI, which announced a £3bn merger with United News and Media on Thursday, were highlighted on Friday when Mercury Asset Management sold a significant stake in the UK broadcasting

and financial services group. MAM, the investment group which played the crucial role in the successful hostile bid by Granada, the TV, catering and leisure company, for Forte, the hotels group, sold a 2 per cent stake in MAI for £25m.

Although MAM retains 6.25 per cent of MAI, the sale ms an indication that it did not believe it likely that any predator, in particular Cariton Communications, under chief executive Mr Michael Green, would bid for MAI and therefore force up the price.

There were, however, unconfirmed reports that MAM spent half the proceeds of the sale on shares in United News the Daily and Sunday Express newspapers. In regulatory terms, United would be an easier takeover target for Carlton than for MAI. Carlton could simply "warehouse" Express Newspapers in a deadlocked company - place ownership in a 50-50 company in partnership with a bank which is precisely the strategy being adopted by United and

A Carlton bid for MAI would face a number of hurdles under present ownership rules and would be looked at closely by the Office of Fair Trading because it would give Carlton more than 40 per cent of ITV advertising revenue.

A number of newspapers suggested yesterday that Mr Green, who last week interrupted a holiday in the Caribbean before the United-MAI deal, was being encouraged to intervene. Mr Green declined to comment yesterday. although the fact that he was at home rather than at Carlton readquarters suggests nothing is trombourt.

United-MAI believes Cariton is the only company likely to try to make a counter bid for one or other of the parties. Another possible candidate, Lord Rothermere's Associated Newspaper group, publisher of the Daily Mail, is not interested. Its intention has been to wait until the broadcasting bill before Parliament is passed before making its

The bill will allow newspaper groups to own television stations and vice-versa. Possible Associated targets might include HTV, the ITV company for Wales and the west, or a buy in commercial radio, such as London station Capital.

## Long wait for some news to raise the spirits

iven that this is the year when everything is supposed to come right for Allied Domecq, 1996

has started rather badly. A second profits warning in seven months from the international spirits, wine and retailing group last week knocked the shares back near to a five-year low. "The way that Allied gave its profits warning at its annual meeting signalled a company in serious difficulties," NatWest Securities' analysts advised clients.

Mr Tony Hales, chief execu-tive since 1991, is credited with enhancing Allied's drinks side by buying Domecq of Spain for £739m (\$1,138m) in 1994 and shedding food manufacturing and peripheral activities. But the strategy has yet to shine. When Domecq was

bought, the City's forecast was for pre-tax profits this year of about £750m. Negative factors have cut that to about £580m. Some are no fault of management, such as the peso devaluation's devastation of ers, such as over-stocking by

some Allied drinks distributors, show inadequate manage-City of London concerns are focused on the performance of drinks, which account for fust under half the group's profits. A reorganisation begun last June turned Allied from a diverse holding company into a drinks group with a big sideline in retalling through UK pubs and off-licences, and Bas-

Mr Hales said he spends about half his time on the drinks side and the rest on other group activities. In con-

kin-Robbins ice cream and

ness, Grand Metropolitan and Seagram, which rank with Allied as the world's four larg-

est spirits companies. The four have had a tough five years, with drinkers rejuctant to consume more or better products or accept price rises. The producers made matters worse by sharply reducing advertising spending in the recession of the early 1990s. The problem is highlighted

by the decline of Allied's key brands in the US, a country that generates about one third of its drinks profits. They fell faster than their markets during 1989-95, with shipments of, for example, Beefeater gin off 30 per cent and Courvoisier cognac off 25 per cent, according to the company.

"We were underspending on advertising, and overpricing," said Mr Hales. Allied's US advertising spend halved between 1990-94, according to Jobson's, an authoritative drinks trade commentator. Only in the past 18 months

to cut costs and invest the savings in more and better advertising and new products. Their complex brand, country and regional structures were ripe for rationalisation. Now Allied has 'brand cen-

tres" in Bristol and Los Angeles, which each have a portfolio to co-ordinate globally. Execution of marketing is in the hands of country organisations, old brand companies such as Harvey's sherry are simply producers and the supply chain is being streamlined. Dunkin' Donuts franchised Allied lifted its spending on advertising, marketing and promotion by 12 per cent last year to about £400m. At 13 per cent of sales, the spend is com-

GrandMet's. A rise of about 6 per cent is planned this year. Allied believed it had turned the corner in the US, forecasting increased market shares there this year for its four main brands and a sharply rising trend thereafter. These plans were disrupted, however, by Christmas sales. The group had budgeted a 10 per cent rise in a static market, but poor

sales by some brands, particularly Canadian Club, left

increased stocks with distribu-

only a percentage point or two. Mexican news is brighter, with peso profits recovering But sterling profits will still take several years to match the pre-acquisition peak. Europe is no less of a slog for Allied than its competitors, but in Asia it is trailing them while still rching for a new regional

A pick-up in any of these regions would help allay fears of a dividend cut. But in any e, pre-tax profits of £580m

earnings would cover the current dividend about 1.4 times. Cashilow would only cover 80 per cent of the dividend but Allied's balance sheet gearing of 65 per cent would allow it to fund the difference with debt. However, many in the City of London is eager for the arrival of Sir Christopher Hogg, one of the most respected executives in Britain, as chairman on April 1 to help Allied's management sharpen

## Analysts question De Beers cartel's claimed share of world diamond trade

By Kenneth Gooding, Mining Correspondent

The international diamond cartel organised by De Beers of South Africa has a far smaller share of global trade in rough or uncut diamonds than it claims, according to an independent analysis of the mar-

This suggests that world supply of rough diamonds in 1995 reached 130m carats, worth \$7.2bn, and that the cartel's share was 63 per cent, not the 70-80 per cent claimed by De Beers' London-based Central Selling Organisation. The CSO's share of the mar-

ket in 1994 was even lower - 56 per cent of global sales worth

\$7.5hm - according to the analysis, prepared by Terraconsult, an Antwerp consultancy, and Diamond International and published by the CRU Interna-

Diamond supply statistics are under greater scrutiny than ever from the industry and analysts because of worries about the cartel's future. The CSO is having difficulty negotiating a new contract with the Russian indus-

"Institutions and diamond companies are checking more closely than ever whether the CSO still actually retains control of the marketplace." says Mr Mark Cockle, editor of Diamond International

market share partly because of Russian diamonds being sold outside the present contract. There has also been an

acrease in activity by individ-

ual diamond hunters in Africa

and South America, according to Terraconsult. The research uncovered some anomalies: Belgian import statistics showed that more than 10m carats, worth \$730m, were imported from

- far more than that

country produces. "It is likely that couriers bringing diamonds into Belgium have used Liberia as a cover to protect the source's origin," says Terraconsult. The most probable sources are Russia and Africa.' The CSO insists its share of the market remains at 70-80 per cent. It says the analysis fails to take account of the purchases the CSO makes in the free market, where it mops up excess supplies

Neither, it says, does the analysis take full account of the fact that the CSO has a quota system and producers are being asked to stockpile 15 per cent of the diamonds that otherwise would have been sold through the cartel.

Terraconsult and Diamond International say that the CSO has done "a remarkable job" of matching supply and demand

#### Prudential poised to determine stance on Farnell bid for Premier

the dilution to shareholders

By Christopher Price

Prudential Corporation will today decide whether to support Farnell Electronics' £1.8bn takeover of Premier Industrial Corporation at Thursday's extraordinary meeting. The UK insurer's decision could prove crucial to the deal's chances of gaining shareholder apuroval.

Two institutional shareholders have come out publicly against the agreed merger, announced three weeks ago. which would create the world's third-largest electronics component distributor. Standard Life and Legal & General both expressed concern over the price Farnell is

paying for the US group and

earnings. There are also worries over the ability of the group to run such a huge undertaking, particularly with the Mandel family, which manages and controls Premier, holding a potential 25 per cent share in the new company. So far, institutions speaking

for about 7.5 per cent of Farnell shares have indicated they will vote against the deal. Nor wich Union, which holds 3.5 per cent, was unavailable for comment yesterday on reports that it too will vote against.

The Farnell board requires to win approval. Observers believe the vote is running in favour of the merger by five to two. The situation is likely to be further complicated by the number of shareholders who bother to vote. Typically, company meetings are attended and voted at by fewer than half the shareholders. Should the Prudential, which holds nearly 6 per cent, vote against the gap would be closed, placing the outcome on knife-edge.

However, given the contro versial nature of the deal, a larger turnout could be expec ted, which is likely to favour the Farnell management. Directors of the UK grown

have made more than 60 pre the past fortnight, and will continue today and tomorrow in an attempt to dissuade the disseniers.

IAN CHOSE THE LIGHTS OUT OPTION ON VIRGIN UPPER CLASS BUT, UNFORTUNATELY, HAD DRUNK TOO MANY COFFEES. virgin atlantic Upper Class We offer a sleep-suit, duvet, pillow, lights out in the cabin, and decaffeinated coffee. Call 01293 747 500 or see your travel agent.

**Alcatel Alsthom hit** 

by asset disposals

Alcatel Alsthom, the French telecommunications and engineering group, saw total turnover fall by 3.9 per cent last year to FFr161.2bn (\$31.8bn) from FFr167.6bn the year before,

stripping out the press interests sold to France's Havas at the end of last year, Alcatel said the fall in turnover - on a comparable basis with 1994 - was 2.9 per cent. The group.

being reorganised by Mr Serge Tchuruk, its new president, said new orders booked during 1995 fell by 2.7 per cent - or 1.7 per cent on a comparable basis - to FFr155.8bn, down from

Turnover in telecommunications, the biggest slice of Alcatel

because of poorer sales performance and asset sales. After

#### INTERNATIONAL COMPANIES AND FINANCE

## Consortium meets today on German pay-TV system

A consortium headed by Deutsche Telekom, the state telecommunications network, and Bertelsmann, Germany's largest media group, is hold-ing a crucial meeting today aimed at seeking agreement on a standard decoding box for the launch of pay-per-view digital television this year.

The meeting follows disagreements between the consortium and the Leo Kirch group on whether, and how, they could join forces to develop a uniform decoding system before rivals, possibly including Mr Rupert Murdoch, try to enter one of Europe's

fastest growing media markets. An agreement would mean Germany's state and private commercial television networks would come under one umbrella - the Multimedia Betriebsgesellschaft (MMBG) - and would hold a virtual monopoly on digital television. MMBG would also have access to Kirch's extensive film and programming library, one of the largest in Europe, and sporting rights.

we could agree. All the country's television networks would have wide access to programming. We would also be prepared to deal with any outside competition," a consortium mem-ber said. But will Kirch join MMBG?

MMBG was set up last year by Bertelsmann. Deutsche Telekom and Canal Plus, the French commercial television network. Other shareholders include Vebacom, the telecommunications division of Veba, Germany's industrial conglomerate, ARD and ZDF, the state television channels, and RTL, the country's leading commercial TV channel in which Bertels-

mann has a 49 per cent stake. Last month, the Kirch group, which had been developing a separate payper-view decoding box to launch its own digital television network, appeared to put aside its differences with MMBG. It agreed to take a 50 per cent stake in a new company formed out of Seca, the French company jointly owned by Bertelsmann and

This new company would develop the software which would give view-ers access to programmes. Kirch also agreed to take a 9 per cent stake in

MMBG. However, the talks have floundered, with Kirch still considering whether it would go it alone, with the result that Germany would be faced with two competing digital television systems. Kirch's hesitation has also fuelled speculation that it might be seeking an alliance with Rupert Mur-doch in a bid to break MMBG.

'Any alliance between Murdoch and Kirch would be against Kirch's interests," a consortium member said. Kirch has a vast film library which would be ideal for MMBG. But so has Murdoch, through his Fox studies. Murdoch means competition for Leo Kirch. It is not certain Kirch would be prepared to lose his monopoly over his vast distribution rights or play second fiddle to Murdoch."

Last week, Leo Kirch strengthened his position in the German-speaking market by paying over DM1.4bn (\$947m) for a package of films from Colombia TriStar International Television (CTIT), a subsidiary of Sony Pictures Entertainment (SPE). He has a ready-made market for distributing these rights. He holds a 43 per cent stake in Sat-1, the German co cial TV channel also owned by the Axel Springer newspaper group. Those films could help shore up Sat-1's flagging audience share, which dipped to 13 per cent last January. against an average of 14.7 per cent

He also holds a 25 per cent stake in Premiere, Germany's only pay-TV channel which has im subscribers, a 25 per cent stake, through his son Thomas, in Pro-7, the rapidly growing commercial television network, and a 24.5 per cent stake in Deutsches Sport-Fernsehen, the sports channel.

Analysts believe Kirch clinched the

deal not only to keep ahead of the competition from RTL and ZDF. Both recently bought film rights from the US film studios Warner Brothers and Hearst Entertainment respectively to try to break Kirch's stranglehold on

film distribution in Germany. Kirch is also positioning himself for the future. That future is digital television. Of course he wants to sew up huge film rights to keep his German competitors at bay. But he also wants to make sure he is in a strong position when digital television is launched," an analyst said.

This acquisition of films places Kirch in a powerful bargaining position with MMBG. More importantly, Kirch, and Ufa, the film and TV subsidiary of Bertelsmann, recently secured the television rights for the Bundesliga, Germany's national foot-ball league. The only outstanding issue regarding the rights is which digital TV company will win them in

The football authorities said no decision had been made, largely because they want to see whether MMBG and Kirch will jointly launch a standard decoding box for pay-TV digital television, or go their separate

NEWS DIGEST

Fr160.2bn in 1994.

activity, declined by 4.4 per cent, from FFr70.8bn to FFr67.7bn last year. Sales of cables, the group's second largest product category, rose from FFr39.8bn to FFr40.6bn, mainly due to better business in North America and southern Europe. Alcatel's half share with GEC of the UK in GEC Alsthom produced transport and power equipment sales of FFr29.3bn, a rise of just under 10.8 per cent. Systems, a new unit grouping Alcatel engineering and turnkey projects, produced FFr21.1bn of sales last year, marginally below 1994's performance. David Buchan, Paris

#### HK group plans spin-off

Henderson Land Development, the big Hong Kong property group, plans to spin off its China real estate arm with an group, plans to spin on its Chila real estate and will initial public offering and by triggering the conversion of existing bonds into stock. Henderson Land will sell HK\$1.5bn (US\$194m) in new stock of Henderson China Holdings, mostly to institutions outside Hong Kong. About 15 per cent of the to institutions olitaide Hong Rong. About is per team of a shares will be offered to the public in the territory, with holders of Henderson Land given preferred treatment.

A bigger portion of the fundraising will be executed by permitting holders of HKS460m in Henderson China

convertible bonds to trade the debt for equity anytime within a year, for a price 15 per cent under the net asset value of the China property play. Henderson China holds 22 real estate development projects on the mainland, mostly in Shanghai and around Guangzhou, and Henderson Land said the property has been independently valued at HK\$13.7bn.

Aoki Corporation, a medium-size Japanese builder, said it would suffer an after-tax loss of about Y98.3bn (\$919m) in the year to March, wiping out almost half its capital. The loss, the first in its 35-year history as a quoted company, results from a reorganisation which would isolate bad debts and other problems associated with affiliated companies.

Aoki will write off Y78.6bn in losses arising from loan guarantees for property companies and Y10.7bn from sales of shareholdings. A further Y12.9bn will be provided for payments for early retirement allowances as part of a estructuring.

The workforce is to fall by 500 to 2,850 over the next few years. The reorganisation involves the separation of the company's hotel business from the rest of its construction Gerard Baker, Tokyo

 Rautaroukki of Finland, the Nordic region's second-largest steel producer, plans to buy out its Norwegian partner in Fundia, a Swedish manufacturer of long steel products, in a SKr710m (\$102m) deal. Fundia is 50-50 owned by Rautaruukki and Norsk Jern Holding. Fundia made SKr261m profit in the first eight months of

1995, putting it on course for a considerable increase on 1994's SKrlåim profit for the full year. Christopher Brown-Humes, Stockholm

#### Kone counts the cost Downturn at of accounting errors

By Hugh Carnegy in Stockholm

Kone, the world's third-largest producer of lifts, has reported a 35 per cent fall in profits in 1995 after suffering from a weak market in Europe, the costs of restructuring and unwinding deliberate accounting errors in its Italian operations.

The Finnish company said pre-tax profits fell from FM288m in 1994 to FM186m (\$40.5m), despite an increase in sales from FM7.6bn to FM9.5bn resulting from its acquisition of Montgomery, the US group.

The profits fall was less steep than expected because Kone restated its figures from 1992, 1993 and 1994 to reflect the problems in Italy, rather than taking the full effect in the 1995 accounts.

Profits during those years were inflated by a total of FM173m - of which FM110m fell in 1994 - as two of the group's senior managers in Italy exaggerated the amount of business they had been doing. Both have been sacked. Mr Aimo Rajahalme, Kone chief financial officer, said profits had been restated in the three years in line with the cent coming from Montgomery.

Two Scottish fund managers

are yesterday understood to

have made their final offers for

Dunedin Fund Managers, the

management company con-trolled by Bank of Scotland,

which is for sale after staff

The two final bidders are

Ivory & Sime and Edinburgh

Fund Managers, both quoted

defections and resignations.

its and shareholders' equity had been reduced accordingly. in 1995, the effects of the Ital-

ian fraud were less, but contributed to a FM70m financial burden resulting chiefly from the restructuring, in which four plants. in the UK, the Netherlands. Germany and the Czech Republic, are being

Profits were also hit by increased depreciation charges and financial expenses relating to the 1994 acquisition of Montgomery.

Kone said the effects of restructuring and benefits from Montgomery would be felt this year, when profits would be "clearly better" than in 1995, leading to further improvements in profitability in 1997 and 1998.

Kone, third biggest in the sector after Otis of the US and Schindler of Switzerland, said maintenance and modernisation accounted for 61 per cent of sales.

Demand continues to be flat in Europe, which last year accounted for 57 per cent of Kone's business. But new orders grew by 31 per cent overall to FM6.6bn with 85 per

est have dropped out of the

race. The sale of Dunedin

could be concluded in the next

few days. The successful bid-

der will need to make clear

of the takeover, likely to be

The negotiations involve

Bank of Scotland, which owns

50.5 per cent of Dunedin

through its merchant banking

subsidiary British Linen Bank,

## **Pacific** Dunlop

By Niikki Tait in Sydney

Pacific Dunlop, the Melbourne-based conglomerate which recently sold its large food-manufacturing interests. accompanied news of a 22 per cent fall in interim profits to A\$118m (US\$89m) with an announcement that Mr Philip Brass, its chief executive, is to retire at the end of the financial year.

Profits were struck after tax but before abnormal items, and compare with A\$151.3m last time. 5. After abnormal ltems, profits in the six months to end-December were A\$116.6m, against A\$113.8m.

The results - partly reflecting asset disposals, including food interests - were scored on sales 9.4 per cent lower at A\$3.38m. Earnings per share (before abnormal items) slipped from 14 cents to 11.3 cents. The divi-dend was held at 11 cents.

edin Income Growth and Dun-

edin Worldwide, which own

burgh Fund Managers each

managing some £4bn of assets

and Dunedin about £5.3bn, the

new entity will have total assets under management of

more than £9bn, making it the

next largest Scottish fund man-

ager after Baillie Gifford,

owned by Caledonia Invest-

Ivory & Sime is 29.9 per cent

which has £11bn.

With Ivory & Sime and Edin-

the rest.

Pacific Dunlop said most of its on-going businesses had "a difficult trading period". The cables unit suffered from reduced demand in Australia. and the GNB Technologies results were hit by delays in commissioning a new lead

Two final bidders for Dunedin

## European PC sales up 20%

By Paul Taylor

Sales of personal computers in Europe grew by 20.5 per cent to 4.78m in the traditionally strong final quarter last year, according to Dataquest, the

in recent years pre-Christmas sales have been boosted by purchases of multimedia home PCs. Sales growth in the 1995 final quarter was comfortably ahead of the 18 per cent growth recorded a year earlier but down sharply from the 29.5 per cent, 27.8 per cent and 23 per cent growth rates recorded in the first three 1995 quarters

The slowing growth rate has been reflected in year-end statements from several manufacturers. Rscom. the fast-expanding German PC retailer. has blamed a fourth quarter loss partly on disappointing

Dataquest shows that

Escom's market share in terms of units sold in the fourth quarter fell from 4 per cent in the 1994 period to 3.2 per cent last year and it ranked as Europe's 10th largest PC seller. down from sixth a year earlier. German-based Vobis, which sells under the Highscreen brand, saw its market share drop to 3.7 per cent while Siemens Nixdorf, pert of the

controlled by the Cayzer fam-

ily. EFM, meanwhile, is con-

trolled by British Investment

Trust, which owns 54 per cent. Bank of Scotland had origi-nally intended to find a new

chief executive and chairman

for Dunedin after the resigna-tion in late October of Mr Ham-

ish Lesiie Melville and Mr Alan

Kemp, the executive chairman

and his deputy. Four senior

executives had left previously.

Later another six fund manag-

ers said they intended to leave.

Q4 1895 130,451 95,855 68,520 91,705 615,269 1,035,193 31.7 27.4 14.5 21.2 11.5 255,369 326,339 206,208 196.605 143,553 238.237

PC MARKET COUNTRY BY COUNTRY

Siemens electronics group, overtook Vobis to become Europe's sixth largest PC group in sales terms, with 4.5

Other market-share losers included Italy's Olivetti group. troubled Apple Computer and IBM whose market share dropped from 10.1 per cent to

The main gainers included Compaq, which consolidated its position as the largest PC manufacturer with an increased 12.8 per cent of the European market, and Hewlett-Packard, whose Genevabased PC unit lifted its market share from 3.8 per cent to 5.5 per cent in the final quarter. ranking the US-based group as Europe's fourth largest PC

Packard Bell lifted its mar-

ket share by one percentage point to 4.1 per cent Germany remains Europe's biggest PC market, with 1.04m machines sold in the final quarter followed by the UK and France. The fastest growing markets include Belgium Finland. Italy and the UK. which all have growth rates above 30 per cent, compared with Germany's relatively modest 7 per cent growth rate.

By the final quarter almost two-thirds of all PCs sold in Europe were powered by Intel's Pentium processors. leaving machines based around the older 486DX2 and DX4 microprocessors trailing. Sales of machines based on

the PowerPC chip, jointly developed by Apple, IBM and Motorola, accounted for just 5.1 per cent of the market.

## Lloyd's investors see automotive steep share price gains

Quoted Lloyd's of London investment vehicles have emerged from the doldrums to produce steep share price gains, marking a revival of interest in the 300-year-old insurance market.

Share prices relative to the FT-SE-A All-Share Index have jumped as much as 20 per cent in recent weeks, marking a renaissance for the Lloyd's corporate investment companies which have provided capital for underwriting at the market since 1994. On average, relative prices have risen about 9 per

vided by Names - individuals Limit and Angerstein - have whose assets have traditionally supported Lloyd's on the basis of unlimited liability. After bearing the brunt of

more than £8bn in losses reported in recent years, the number of Names is expected to decline steeply by the end of the decade. There are 16 listed Lloyd's

corporate investors trading with limited liability. Some support a spread of Lloyd's insurance syndicates to control risk; others have concentrated on supporting only a few.
Part of the re-rating reflects

the fact that in addition to supporting underwriting, much of

seen prices rise above net asset Mr Chris Hitchings, analyst

at UBS, said the stocks had been largely ignored for some time, but now Lloyd's was close to the May target date for implementing its recovery plan, more attention was being paid to valuations.

Prices have also been supported by the setting up in November of a £60m investment trust, chaired by Mr Matthew Harding, the millionaire backer of Chelsea Football Club, specialising in Lloyd's of London corporate members. Interest could grow over coming months as the first underwriting profits - under Lloyd's system of reporting three years

## Flemings tries to quash rumours

Edinburgh-based investment how it is going to meet the cost

investment managers based in and three investment trusts Edinburgh. Other fund manager managed by Dunedin: Edin-

about £100m.

By Nicholas Denton

Members of the Fleming family moved yesterday to quash renewed speculation that they are open to approaches for their key shareholding in Flemings, one of the few remaining independent UK investment banks. We are very determined to

remain independent and see no advantage to tying up with another party," said Mr Roddy Fleming, a director and representative of the family. "We are not for sale. We want to remain where we are." Several banks building up

investment banking businesses have sounded out Flemings to test the strength of its public commitment to continued independence. They have fixed upon Flemings because it. along with Schroders, is the largest remaining independent

Internationale Nederlanden Groep put out feelers before it acquired Barings, the UK investment bank which collapsed nearly a year ago. National Westminster is also understood to have made an informal approach. But Flemings has discouraged all over-

While founding families often diversify their personal assets, the Fleming family has gradually restored its stake in the investment bank in the last three years, lifting its holding

It said it had acted to cement ties by drawing more younger relatives into employment at the larger institutions.



Robin Fleming: his bank has

the company. About a dozen family members have posi-tions, including Mr Robin Fleming, the chairman. The marketing of the bank also hinges on its indepen-

dence, Flemings executives said. Since the failure of Barings, and the takeover of SBC Warburg, Kleinwort Benson and Smith New Court, it has presented itself as a stable provider of objective advice.

But Mr John Manser, chief executive, has admitted that Flemings could come under pressure if the most talented investment bankers opted for the security and resources of

## |FI plans float with £60m tag

FI Group plans a stock exchange flotation through a placing with institutional investors which is expected to value the specialist computer services and outsourcing company at about £60m.

The group will be the third computer services company to come to the market since the autumn, highlighting the reha-bilitation of the sector and the return of investor confidence. FI Group, based in Hemel Hempstead, Herts, has carved out a profitable niche by focus-ing on the high growth market for applications management, particularly in the finance, retail and leisure and service

The UK market in this area

underperform market

By Patrick Harverson

Large companies escaping hostile takeovers in the past decade have seen their share prices subsequently underper-form the stock market by a wide margin, according to a

report by Scottish Amicable Investment Managers. Today's report, The Ones

grew from about £230m in 1994 to £315m last year. FI Group is acknowledged to be a leader in this field - in the year to April 30 about 70 per cent of its £61.7m turnover came from In the six months to October

31 the group reported a 38 per cent increase in pre-tax profits to £2.09m on revenues up 32 per cent to £37.4m. The group's contracts are

Last autumn, GenCorp typically with large organisa-tions which are highly depen-dent on complex IT systems and have hig databases. They include Barclays Bank, London Electricity, Royal Instrument Electricity, Royal Insurance, Tesco and Lloyds TSB. Most recently FI Group has signed five-year contracts with Whit-bread, the Co-operative Bank and Thames Water.

## **Escapees from takeovers**

that Got Away, shows shares in companies which fought off predators in large bids between 1986 and 1994 underperformed the market by almost 20 per cent in the first three years

in a study of 15 bids, each worth more than £250m, the shares of only three target companies outperformed the

Among the worst performers were Storehouse, the retailer, whose share price underperwhose share price inherper-formed by 66 per cent three years after the group defeated a bid from Benlox in 1987, and Hammerson, the property group, whose shares underperformed by 56 per cent in the three years after Rodamco's miled 1983 offer.

#### BTR in \$120m purchase By Raiph Atkins,

By Patrick Harverson

COMPANY NEWS: UK

BTR will announce this week the acquisition of a US automotive components manufacturer for \$110m-\$120m (£72m-£78m) in what will be the first deal struck by Mr Ian Stra-chan, the industrial conglomerate's new chief executive.

BTR is buying the vibration control division of GenCorp. the US manufacturing group. The Indiana-based unit will be integrated into the UK group's automotive division, which aiready makes anti-vibration systems in Britain, Germany and Spain for car makers. Although the performance of

the vibration control division has improved in the past year US analysts expect 1995 profits to have increased sharply to \$11m (\$6m) on sales of \$160m (\$140m) ~ GenCorp has been unable to develop the business as an international components supplier and has admitted it would be a better fit with BTR.

blamed a decline in the automotive sector for reduced third-quarter operating profits of \$22.3m, against \$23.5m. The acquisition fits neatly

into BTR's strategy of dispos-ing of non-core businesses and focusing on industrial manufacturing. The strategy was first adopted by Mr Alan Jack-son, the former chief executive who retired at the end of last year, and is being continued under his successor Mr Stra-chan, who took over in Janu-

ary.

BTR recently expanded its presence in the Latin American automotive industries with the purchase of Metalur-gica Carto of Brazil.

The group has also sold a variety of non-core businesses recently. In the last three mouths it has raised almost £720m from the sale of its UK aggregates business, its withdrawal from the Malaysian petrochemicals industry and the disposal of its Dunlop Slasenger sports equipment sub-sidiary. More candidates for disposal are expected to be drawn up up over the next few

#### the Vehicles' funds are cent since the start of the year. Corporate investment was invested in equities which allowed by Lloyd's to establish have performed well. But some an alternative to funds pro-- including the two biggest, in arrears - come closer.

Funds wary of UK equities

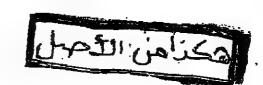
British fund managers are growing increasingly wary of the outlook for UK equities, according to the latest monthly Gallup survey sponsored by Merrill Lynch, writes Jeffrey Brown. The poll found that, in early January, 27 per cent of fund managers were looking to reduce holdings of UK equities - more than double the proportion (12 per cent) in the preceding month.

The survey, carried out among 79 institutions handling £831bn of managed funds, found bulls outnumbered bears by 16 percentage points on a three-month view of UK shares, while the ratio for the month of January was 44 percentage

points. Respondents were also nervous about the outlook for UK bonds with a balance of 23 per cent of fund managers planning to reduce their holdings of gilts.

Gallup describes the findings as "consistent with respondents' view on the outcome of the next UK general election". Some 95 per cent of money managers believed Labour would win most seats. In the December poll, UK institu-tions turned seller of European equities for the first time in nine months. The latest poll lists Hong Kong and Singapore as the most favoured

	CROSS BORD	ER M&A DEALS		
BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Famel Electronics (UK)	Premier Industrial Corp (US)	Electronic components	21.85bn	Standard Life to oppose
Seive (Germsny)	Lloyda Chemists (LIK)	Pharmaceuticals distribution	£584.3m	Rival to UniChem bid
Clyde Pretroleum (UK)	Marathon Petroleum (Indonesia)	Oit & gras	E33m	Acquiring third
Johnson Matthey (UK)	Unit of Cray Research (US)	Electronic	\$25.9m	New core
Inspec (UIC)	Unit of AlliedSignal (US)	Speciality	£18.8m	Reuniting Alico
Morgan Crecible (UK)	Magna Industriel Co (HK)	Chemicals	£14.5m	Asian pletform
Headlern (UN)	Malle Group (Netherlands)	Household goods	£9.7m	Continental footbold
(UIC)	Technoliow (Germany)	Motor	£8m	Completes 1994
Pearson (UIG	HarperCollins Educational (US)	Publishing	£387m	Textbook
faden MacLellen (UIC)	Brandt Filtration (US)	Engineering	£1.9m	Profit-related



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# XCELLENCE IN EU

Equity, Fixed Income and M&A



**INVESCO PLC** 

60,000,000 Ordinary Shares in the form of Ordinary Shares or American Depositary Shares

Global Coordinator



Koor Industries Limited

6,950,000 American Depositary Shares Representing 1,390,000 Ordinary Shares

Joint Global Coordinator



Nera AS Sale of

2,128,000 Ordinary Shares from Asea Brown Boveri AS

2,009,245 Ordinary Shares in the form of Ordinary Shares or American Depositary Shares and listing of Nera AS on NASDAQ

Agent in a series of sales to institutional investors and Bookrunner

SGS-THOMSON

SGS-THOMSON Microelectronics N.V.

> 20,700,000 Common Shares

Co-Global Coordinator



Abbey National plc

U.S.\$750,000,000

6.69% Subordinated Notes due 2005

Joint Bookrunner

#### **GlaxoWellcome**

Glaxo Wellcome plc

U.S.\$500,000,000

6125% Notes due 2006

Joint Booknunner

April 1995

LANDESBANK RHEINLAND-PFALZ

LB Rheinland-Pfalz Finance BV

DM 1,000,000,000

7.25% Notes due 2005

Unconditionally and Irrevocably Guaranteed by Landesbank Rheinland-Pfalz-Girozentrale-

Joint Bookrunner

REED ELSEVIER

May 1995

Reed Elsevier Capital Inc.

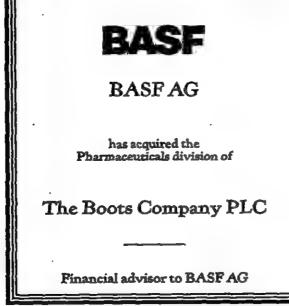
U.S.\$150,000,000 6.625% Notes due 2000 U.S.\$150,000,000 7.00% Notes due 2005

U.S.\$150,000,000 7.50% Debentures due 2025

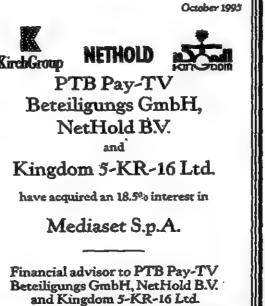
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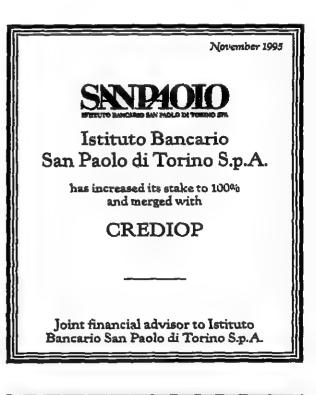
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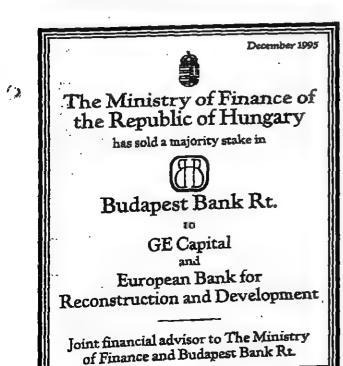


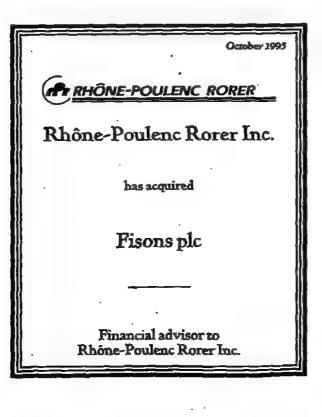


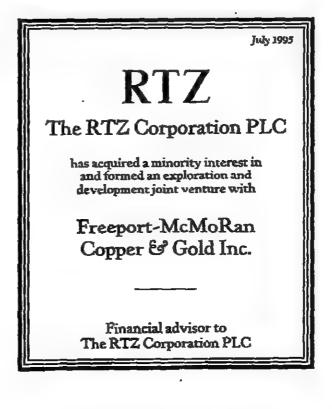


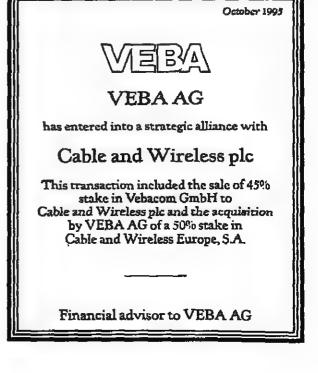








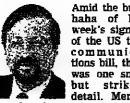




## LEHMAN BROTHERS

## FINANCIAL TIMES

ING BANK At Home in Emerging and Capital Markets ING BARINGS



Lynch and Salomon, two of the biggest and most international of Wall Street's broking houses, said they expected 20 per cent of their future revenues in investment banking to come from telecoms world-

It is sobering to recall that 15 years ago the global telecoms sector consisted almost wholly of a single stock: the old AT&T. Then AT&T was broken up, international privatisation got under way, and between 1986 and 1995 the value of the sector quadrupled. It now stands at some \$650bn. That figure still only repre-

sents 5.5 per cent of the value of the world's stock markets, up from 3.1 per cent in 1988. If Merrill's and Salomon's 20 per cent figure is right, the proportion is bound to rise further.

Indeed, the process seems to be accelerating. The flood of privatisations continues; from Peru and Indonesia, from Russia and Germany. In the US, meanwhile, the telecoms bill opens the door to profound restructuring of the entire communications industry. Any

Amid the brouhaha of last week's signing of the US tele communicawas one small but striking detail. Merrill

Investors will be asked to put up tens or even hundreds of billions of dollars to fund the industry's transformation. It is worth reflecting on the nature of this investment. As privatisation and liberalisation become the norm, what will global telecoms look like? To begin with, the past will

whole point of liberalisation is that equity is needed to fund the process of change. That same process alters the industry's operating characteristics. Entrenched monopolies can prove surprisingly durable, as British Telecomunications has shown. But in the long run, companies which once conformed to a standard pattern will be pushed into adopting different and competing strate-

of risk and opportunity is sharply increased. The erosion of monopoly tends to take a similar form around the world. As defined by Ms Anita Springer, telecoms

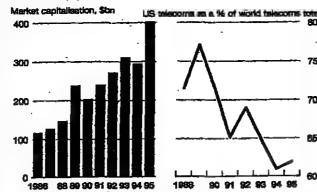
gies. For the investor, the level

## THIS WEEK Global Investor / Tony Jackson in New York

Ringing rapid changes in telecoms

funded in part by phone com-

be no guide to the future. The



analyst with Scudder, the USbased fund manager, the first stage is the throwing open of wireless telephony. Then comes competition in international calls, then in the local monopoly.

Source: FT/S&P-A World Indices

In a developed market like the US, there is a further stage: the introduction of broadband technology to the local phone system. This puts telephony on a common footing with other

kinds of digital data, from Internet connections to video on demand. Phone companies are thus brought into competition or alliance with a host of related industries.

At the less developed end of the spectrum, the process of change is highly political. All phone companies are under pressure to lower their costs by upgrading their technology, which means substituting com-

Richard Mooney

0.08 0.40 6.50 0.19 0.86 Bonds 3-5 year Week Month Year 0.06 2.54 19.66 -0.15 0.65 13.97 0.06 0.00 10.40 -0.46 -0.12 14.53 -0.33 T.45 T4.89 Bonds 7-10 yes Week Month -0.16 0.76 -2.6 3.2 11.0

puters for people.
As Ms Springer remarks, she is no longer impressed when a phone company says it is cutting costs. What matters is how fast productivity is rising relative to the competition: and that in turn depends largely on how fast people can be thrown out of work.

Source: Cash & Bonds - Lehman Brothers. The FT/S&P Actuaries World Indices are jointly of Goldman Sechs & Co., and Standard & Poor's.

Again, phone companies in many countries have traditionally charged exorbitant rates

for international calls, as a means of securing hard currency and holding down domestic call rates. The US is pushing to have those rates reduced as a matter of trade parity. The phone companies thus face the political issue of whether they can raise domestic rates fast enough to make

good the shortfall. How do investors choose

Two simple rules suggest themselves. Make sure the company has a detailed description of its new regulatory framework: and look for clear and specific targets on cutting costs.

Even so, expect surprises. Indonesia's telecoms company was judged unsatisfactory in those terms, and its initial offering had to be scaled down and cut in price. From a low some months ago of \$18, the stock is now more than \$32.

As for the US market, the complexity of the outlook is illustrated by a debate between - again - Merrill Lynch and Salomon. As part of the deregulation in the telecoms bill, long distance and local phone companies can now attack each others' markets.

Merrill's analyst, Mr Dan Reingold, argues that the local companies will emerge victorious. Salomon's equally respected analyst, Mr Jack Grubman, argues the opposite. Each offers a persuasive case.

Both cannot be right. The GT Global Telecoms which privatisations to go for? Fund in San Francisco, with

\$2.6bn under management. claims to be the biggest fund of its kind in the world. Where does its manager, Mr Michael Mahoney, stand on the controversy? Simple, he says. He holds no stock in either long

distance or local companies. The onset of competition, he argues, will always be beneficial in the long run, since lower charges will stimulate traffic. The snag comes in the first year or two of transition.

In the meantime, he suggests, look to the providers of equipment. They, after all, will be large beneficiaries of the equity phone companies are raising for modernisation.

The range is enormous, from the newly entitled Lucent Technologies – the equipment business of AT&T being spun off in the biggest public offer-ing in Wall Street's history to networking specialists such as 3Com of San Francisco.

The principle is a sound one. The British empire builder Cecil Rhodes, it may be recalled, made his fortune at the Kimberley diamond mine in South Africa: not by hunting for diamonds, but by renting out a steam shovel to miners.

This could stand as a parable for the telecoms industry as a whole. On the same principle, if the equipment companies do not appeal, one could always buy shares in Salomon or Merrill Lynch.

## Gold forum is well timed

The timing of the International Precious Metals Forum that opens at London's Dorchester Hotel today could hardly have been better.

After bursting, early in the new year, through the \$400-atroy-ounce barrier that it had found insuperable for 18 months, the London gold price raced to a two-and-a-half-year high of \$417.50 just over a week

Talk of tests of technical resistance at \$420, the 1990 peak of \$424.50 and even \$450 an ounce proved premature,

with the price sliding back to \$405.50 last week, but gold market bulls saw that as a healthy "correction" and remained confident that while the market stayed above \$400 an ounce considerable upside potential

"Basically I'm still bullish," a trader told the Reuters news agency last week, "but it's not going to be easy. There is good selling all the way up to

in a tight range," said another. The keynote address at the London forum will be given by South African MP Mr Marcel Golding and papers will also be presented on behalf of the Instanbul Gold Exchange, the York Mercantile Exchange and investment

banker NM Rothschild. Other events this week include the UN Common Fund for Commodities' five-day annual workshop on commodity development in Africa that started in Abidjan, the Ivory "We're seeing a lot of action Coast's capital, yesterday.

Today sees the publication of the International Primary Alu-

minium Institute's stocks data for December.

On Wednesday Mr Franz Fischier, European Union agriculent the European Commission's 1996-97 farm price proposals and a report on the beef market.

On Thursday the International Sugar Organisation's two-day Sugar 2,000 conference opens in London. Representatives of producers and consumers will give papers on the outlook for the international

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#### Company news

#### SE-Banken hopes to shed loan loss woes

Skandinaviska Enskilda Banken will be hoping to draw a line under an embarrassing loan loss which plagued it last year, when it becomes the first of Sweden's big banks to report 1995 result tomorrow.

Not for the first time, the bank - the financial flagship of the Wallenberg industrial empire – is seeking to put behind it the loan loss crisis of the early 1990s which brought the whole Swedish banking system close to collapse.

Last year, SE-Banken wrote off a large part of its distressed property holdings, which resulted in a SKr701m loss for 1994 but which was meant to forestall any lingaring effects of the loan loss crisis. Within months it was forced to make further provisions to cover exposure to a failed financial investment group called Luxonen which also dated back to the

Analysts expect full-year operating profits just above SKr2.5bn (\$360m). That is set to be only about half the level of its main rivals, but a sharp improvement from the half-year when the Luxonen affair left SE-Banken barely in surplus.

Nordbanken also had an eventful 1995,

but for different reasons. The biggest casualty of the loan-loss crisis, Nordbanken only survived because of massive injections of state aid. Relieved by the taxpayer of most of its bad debts unlike SE-Banken and Svenska Handelsbanken - Nordbanken returned to strong profitability in 1995 and the state successfully began its privatisation. Analysts expect full-year profits on Friday of SKr5.9bn - the highest among the leading banks.

■ Investor: The question for shareholders in the main investment vehicle of the Wallenberg empire is when it will launch the promised flotation of at least a 65 per cent share of Scania, its highly-profitable, wholly-owned heavy truckmaker reckoned to be worth some SKr30bn. An answer may come with the 1995 results on Thursday. Picking the right moment to maximise returns is tricky. Investor admits it missed the high-point of the truck cycle last year,

# SE-Bunker

but does not anticipate a deep recoil. The market expects 1995 profits of SKr5.3bn. double the 1994 level.

#### High crude prices to fuel oil groups

British Petroleum, which saw its share price rise to record levels last year, is expected to report replacement cost profits (which strip out the effects of oil price changes) of £480m-£570m when it reports its fourth-quarter results tomorrow. That will not include the \$1.1bn (£710m) charge which it will take for the quarter to cover the costs of a

Both BP and Shell Transport and Trading, which also reports tomorrow will benefit from higher crude oil prices at the end of last year. But both are also likely to be hit by the declining outlook for their chemicals division.

Shell could buck the recent industry trend of deteriorating refining margins because of its substantial presence in Asia, where refining margins were buoyant in the fourth quarter. Net income estimates for the fourth quarter are around £L1bn.

■ Reuters: The financial information and news group is expected to report full-year pre-tax profits of £580m-£600m tomorrow,

an increase of 14-18 per cent.

The group, which is one of the darling stocks in the media sector, has already signalled a slowdown in the second half because of consolidation in the investment banking sector, which has led to lower demand for its products.

Reuters also warned at the interim stage that it could not assure double-digit revenue growth in 1996, so analysts will be eager to hear the group's plans for long-term growth.

# Share price relative to the FT-SE-A All-Share Index

■ Lloyds Abbey Life: The 1995 results from the life assurer on Wednesday start the three-day spate of numbers from the Lloyds TSB Group, which came through a time of change last year with two significant acquisitions taking effect. On Thursday, Cheltenham & Gloucester. which became the group's mortgage lending arm on August 1, gives its results, while those for the whole group,

which was formed on December 28 by the

merger of Lloyds Bank and the TSB

Group, will be published on Friday. Analysts' estimates for pre-tax profits for the combined operations run at over £2bn. For 1994, Lloyds Bank reported pre-tax profits of £1.3bn; C&G reported pre-tax profits of £219m; and TSB reported pre-tax profits of £504m for the year to the end of October.

In its merger statement, the group expected to recommend a final dividend for 1995 of not less than 7.8p (net).

■ Mersey Docks and Harbour Company: Analysts had hoped that the transport company would report pre-tax profits of 238m on Thursday, but after a four-month dispute over 329 sacked dockers, the company revealed that £31m was more likely. The sacked men rejected an £8m settlement this week, which the company

had planned to set against 1995. ■ Foster's Brewing: The Melbourne-based brewer will feel the effects of the A\$425m (£208.3m) sale of its Courage business in the UK last year, when it reports interim results to December 31 today. Analysts expect profits be about

A\$170m, against just over A\$201m. Foster's main move since selling the UK unit has been to make a A\$482m bid for Mildara Blass, the winemaker, and this deal looks close to completion. The market will also be eager to hear what further expansion plans Foster's has.

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## LEGAL NOTICES

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English & American Insurance Company Limited (the "Company") is subject to a scheme of arrangement dated 28 October 1994 and which became effective on 8 February 1995 (the "Scheme"). Notice is hereby given that a meeting of Scheme Creditors has been convened by the Scheme Administrators in accordance with the provisions of the Scheme to be held at 11.00 a.m. on Monday, 18 March 1996 in the Great Hall, Chartered Instrumce Institute, 20 Aldermanbury, London EC2V 7HY.

The chairman of the meeting will deliver a report to Scheme Creditors on the conduct of the affairs of the Company and the operation of the Scheme since 8 February 1995 (the "Report"). Each Scheme Creditor will be required to complete a registration form registering his/her attendance at the meeting prior to its commencement. Registration will commence at 10.00 a.m. in the Great Hall. Anyone who believes that he/she may be entitled to attend the meeting may obtain a copy of the Report and the registration form from:

The Scheme Administrators KPMG

Anthony James McMahon, or failing him, Roger Smith, both Scheme Administrators of the Company, will chair the meeting of Scheme Creditors. DATED: 12 Pebruary 1996

A J McMahon and R Smith Scheme Administrators

The general insurance business of Providence Capitol Life Assurance Limited (formerly Stater Walker Life Assurance Company Limited. Stater Walker Insurance Company Limited and Arrow Life Assurance Company Limited was transferred to English & American Insurance Company Limited in accordance with section 51 of the Insurance Companies Act 1982 with effect from 3 March 1988.

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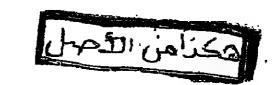
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				143,30	143.14		1.51	187.33	180,69	126.52	143,77	143.60	199.28		158.71
Belgium (34)		205.24	145.40	162.90			5.32	213.51	205.94	144.20	163.86				169.15
Brazil (28)198.		161,34	112.73	128.08	300.24	21.7	1.61	166,60	160.69	112.52	127.85		215.81	167.76	167.76
Canada (101)		152.74	108.72	121.23	156,82	7.0	2.40	158.71	153.0a	107.19			170.25	86.06	132.20
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		426.03	297.57	338.15	437.01	13.8	3.24	442.00	426.34	298.52	339,21	438.71		142.25	144.30
reland (16)255		247.58	172.00	196.52	228,78		3.36	256.23	247.15	173.05	196.64	228.57	448.01	318.35	324.92
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USA (632)		258.60	180.69	205.26	267.24	6.4		229.98	221.83	155,33	176,50	221.83	232.53	130.15	152.97
		200.00	100.00	-	207.27	0.4	2.18	267.05	257.58	180.36	204.95	267.05		192.74	195,40
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World Ex. Japan (1906)239.	9 4.7	232.14	162.20	184.26	226.13	5.6	2.49	240.02	231.51	162 10	159.03	174.18	207.22	166.82	168.57
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#### EMERGING MARKETS: This Week

The Emerging Investor / Matthew Kaminski in Chisinau

## Attractions and drawbacks of the Baltics

When banks collapse in emerging markets, the economy suffers and the undeveloped financial system loses precious liquidity.

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But as shown in Latvia and Lithuania, the small Baitic countries languishing through a painful banking shake-out, investors might be wise to keep a close eye on the dobt market.

The two countries' treasury bills offer up to 35 per cent annualised return, roughly where the market stabilised after Latvia's largest bank col-lapsed in May and Lithuania's two biggest commercial banks closed in December. The governments' decisive moves to close the weak banks and prevent a run on deposits at other institutions helped restore some confidence, yet not before

interest rates had doubled. Fairly low inflation in both, expected not to exceed 25 per cent this year, and strong currencies make government paper a good buy for fund managers Just discovering the three most economically developed ex-Soviet republics. The third, Estonia, went through a banking crisis back in 1992, but it also offers attractive yields on government and municipal bonds denominated in kroons, a currency pegged to the

"There is some arbitrage to be done," said Ms Isabelle Terrillon, associate director at Nomura International, which handled Latvia's and Lithua-

nia's eurobond debuts last prove the banking rescue plan market, giving investors year. But she warned that the T-bill market was small, averaging \$10m-\$12m at the auction held weekly in Latvia and twice a week in Lithuania.

"If you are looking for big market capitalisation, you won't get in the Baltics," Ms Terrilion said. "That is their big drawback".

For foreign investors the other drawback, of course, is the impact of the banking crises on their economies. Growth will be depressed in Latvia and Lithuania this year and infla-tion may be higher than expected. Banka Baltija in Latvia took 40 per cent of the sector under with it: the gross domestic product, initially forecast to rise, fell 1 per cent last year. The budget deficit doubled.

Although Latvia's traumatic episode took it wide off track. businessmen in Riga are optimistic that growth will return in 1996. The financial sector, the cornerstone of Latvia's economic recovery, appears stronger following last year's consolidation and is eager to reclaim its role as the ex-Soviet equivalent of Zurich, GDP may rise by 3 to 5 per cent this year; and Mr Andris Skale, a bustnessmen, has formed a government pledged to push ahead with privatisation.

Blamed for mishandling its own crisis, Lithuania's government fell last week, heighten-ing the political uncertainty. A new cabinet formed by the reformed ex-Communists must

can replenish the sector without overshooting this year's 20 per cent inflation target. Investors are weary and

greater access. A stock exchange is belatedly scheduled to open on May 31 trading in five to seven companies. growing pressure from the The Estonian privatisation

#### Moldova's stock market expands

Moldova's small capital market looks set to expand after the successful completion of a mass privatisation programme two months ago, writes Matthew Kaminski.

With 1,142 large companies turned over to the private sector for free vouchers since 1993, the secondary market will be a good way for many to raise the capital needed to modernise. Mr Victor Chiriac, president of Moldova's stock exchange, expects "not less than 150" companies to join the 18 listed on the market, which was opened in June.

More than 95 per cent of the companies on the exchange will

come from the privatisation programme, which helped put some 70 per cent of the economy in the private sector. However, the secondary market will not grow as quickly. Many companies, financially weak and inefficient, might not be able to qualify for

opposition political parties might force a devaluation. The ousted prime minister, Mr Adolfas Slezevicius, had been the strongest champion of a fixed peg for the litas.

That leaves Estonia, the star economic pupil. Unlike Latvia and Lithuania, Estonia never tried to bail out its eight bad banks. A balanced budget, high capital inflows and booming trade with the west will again produce economic growth this year, estimated at 4 per cent. A widening current account defl-

cit is virtually the only thorn. depository. These companies ought to be Estonia's stable legal and the blue chips on the future political climate will soon be stock exchange. But the Deutcomplemented by a secondary

sche Morgan Grenfell report noted that the bigger Estonian companies were likely to prefer to list across the Gulf of Finland on the Helsinki stock exchange, as Tallinn's Hansa Bank did last year.

The Estonian privatisation agency said one last tender for an unspecified number of companies remained to be completed. It will then concentrate on preparing the large electricity, gas and telecommunications companies, and the ports, for privatisation this year.

The fate of privatisation will be closely followed in Latvia. the regional laggard in shedding state enterprises. The new government has announced that some jewels will go up for sale: among the 200 companies expected to be sold are the Latvian Shipping Company and the state savings bank. A question mark hangs over the Ventspils port, Russia's only Baltic oil gateway with a capacity of 40m metric tonnes a year. The sale of the strategic and profitable port will test the government's political will.

After selling 29 companies by voucher last year, Riga wants to privatise at least 50 this year. The flotation of Unibank quadrupled weekly turnover on the Riga stock exchange to \$28,000. "The next 18 months look exciting," said Mr Karlis Cerbulis, president of the exchange, which opened last year, trades 21 shares and is capitalised at the equivalent of \$25m. "The only thing we need

Philip Gawith

Y200 (X 100)

is product to trade," he said But the government must prove to sceptical investors that its privatisation promise are not empty once again.

As in Estonia, Lithuania's sell-off scheme has attracted controversy. Its free voucher sales took more than 70 per cent of state companies off the books. Outside capital did not follow. Despite its introduction to international capital markets through December's \$60m eurobond flotation. Lithuania remains the Balt last on a for-

eign investor's list. The stock exchange, capital ised at Lt650m (\$163m), trades shares in 350 companies, but not one has qualified for the exchange's official list. Foreign investment has been largely bills, which will be traded on the exchange, according to Mr Rimantas Busila, director general. A standardised auditing is set to come into place only this year and access to financial information is selective.

Mr Busila argues that Lithuania offers a great opportunity for investors to take equity and rebuild illiquid companies. However, large investors might lack the patience needed to do that in the Baltic market.

Despite the bumps on the road to the developed world, the Balts are poised to be the gateway between Russia and the west small, yet lucrative, markets built to western standard with an eastern flavour.

News round-up

#### Strategy

A heavily overvalued US stock market is likely to fall sharply over the next 12 months and global economic growth will come from the Asian economies, says Mr Barton Biggs of Morgan Stanley Asset

He forecast that the US was on the edge of a bear market. that Japan, was undervalued and Hong Kong could break through the 20,000 level in the Hang Seng. He also thinks that China and India will show solid growth, and forecasts that Asian emerging equity markets would show a return

of about 25 per cent in 1996.

#### Poland

Flemings has launched the first closed-end Poland fund which will invest in quoted companies. IPOs, pre-IPOs and companies intending to obtain a listing within a two year period. The Jersey-based fund, with an application to list on the Irish stock exchange, has already raised about \$30m.

#### Bombay The surge last week in the

ING Baring Securities Emerging Markets Indices

Bombay stock exchange, the

two weeks, mainly as a result of foreign purchases, and the expectation now is that foreign inflows to India this year will be sharply higher than in 1995, when net foreign portfolio investments fell to \$1.2bn.

largest of the country's equity

markets, caught analysts by

surprise, Reuters reports. The

index has gained 21 per cent in

#### Taipei

The Securities and Exchange Commission plans to allow foreign mutual funds to invest in the stock market. The funds are currently banned under a rule stipulating that any fund manager allowed to invest must use only its own funds.

#### Cairo

The Egyptian money market has issued its first pounddenominated bond by a foreign bank, agencies report. Citibank is issuing five-year floating-rate bonds worth EC200m (\$59m) to be traded on the Egyptian stock exchange.

 Edited by John Pitt. Further coverage of emerging markets appears daily on the World Stock Markets page.

#### **CURRENCY MARKETS** Sterling takes centre stage

Sterling will be the initial focus this morning as London markets have their first opportunity to respond to the IRA's resumption of its bombing

campaign in the UK. Expectations are that the pound will experience some selling pressure, as it did in New York on Friday after the explosion in London's Canary Wharf, but there is little reason to expect sustained weak-

Arguably a more strenuous test awaits sterling later in the week, with the release on

FT GUIDE TO WORLD CURRENCIES

US 8

Thursday of the politically controversial Scott report into the 'Arms to Iraq" affair.

It is possible that publication of the report will lead to ministerial resignations, placing further pressure on a government already weakened by a wafer

thin majority. Elsewhere, markets will be keeping an eye on the meeting today in Bonn of Mr Helmut Kohl, the German chancellor, and his French counterpart, Mr Alain Juppé.

No meeting of German and French leaders at present can

be expected to pass without a re-affirmation of the Mass-tricht schedule. But only some development seriously at odds with this view would interest

Later in the week attention will shift to Frankfurt where the Bundesbank council meets on Thursday. Recent comments have dampened expectations of an early cut in official German interest rates, though a further move on the repo rate is possible.

The council is likely to want to see fresh money supply figures before cutting rates again. The dollar looks set to remain rangebound, with little scheduled news out of the US, but the market remains opti-

agency has finished 11 interna-

tional tenders, using the Treu-

hand method, criticised by

Deutsche Morgan Grenfell in a

recent report for an "unfortu-

nate Teutonic bias" that

slowed the creation of a sec-

ondary market by selling large

stakes to strategic investors.

Since 1994, the country has

sought to diversify its

approach. Minority stakes in

Saku, a brewery, and Tallinn's

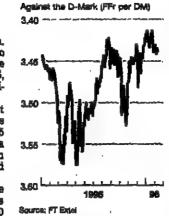
large department store were

sold by voucher, and are

traded through the central

A survey conducted last week for the financial markets consultancy, IDEA, found 35 respondents suggesting a median value for the dollar in two months' time of Y108 and DM1.6050.

For the rest of the year, the range of median expectations for dollar/D-Mark was DM1.40



French franc

£ 810

#### Week on week movement Year to date movemen +3.28 +8.45 +12.44 -0.60 +10.84 -5.02 +1.10 -0.66 +7.80 +3.42 +7.90 +36.59 -8.70 +5.36 +7.24 +118.75 +13.96 -1.54 +1.36 -1.25 100,67 234,79 186,97 +21.98 -9.87 Chile (18) Greece (18) Portugai (20) Turkey (26) South Africa (32) Europe (98) +27.01 +10.71 +11.05 Ania China (24) +3.84 +7.89 +1.17 +1.39 +18.30 +7.11 +2.52 +18.40 +10.46 -0.66 +4.79 +17.34 +11.05 Indonesia (32) Korea (23) Mataysia (24) Pakistan (14) 272.28 Taiwan (31) Asia (187) ...

## REGENT KINGPIN

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is pleased to announce that the continuing offer of shares, with warrants attached, in

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(an exempted closed-end Cayman Islands company)

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The Financial Times plans to publish a Survey on

# The Humber Ports: Gateway to Europe

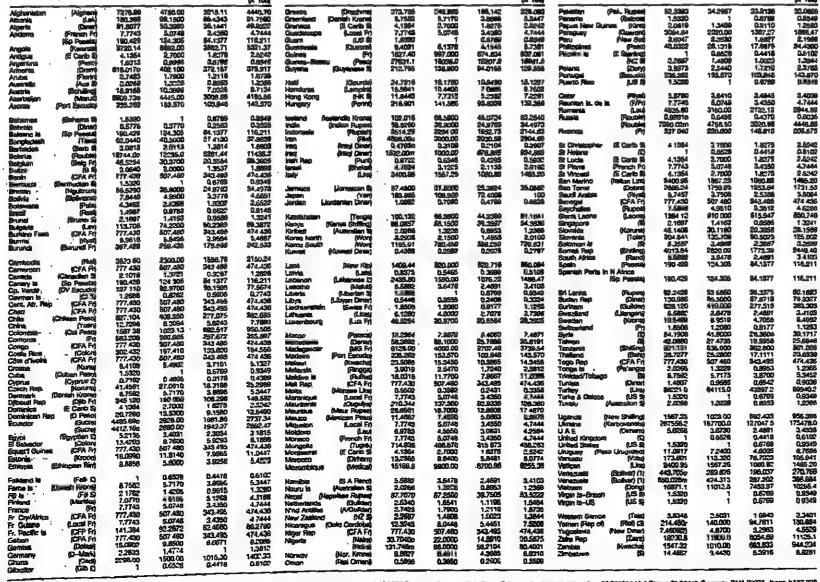
on Thursday, March 14.

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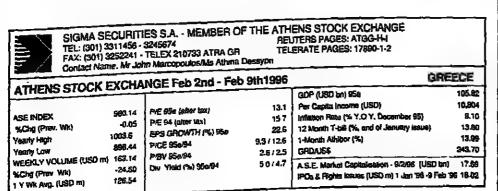
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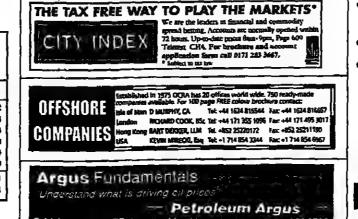
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FT Surveys



Free rate: (in) Market task; (ii) Official rate, (ii) Perside rate (ii) Currency (their against the US Deliar (ii) Peasing take (ii) Venezuelan Official rate, (ii) Perside rate (iii) Currency (their against their US Deliar (ii) Peasing take (iii) Venezuelan Official rate, (iii) Department, London Trading Centroleval on 28/11/95 (iii) Venezuelan official rate, (iii) Department, London Trading Centroleval on 28/11/95 (iii) Venezuelan official rate, (iii) Department, London Trading Centroleval on 28/11/95 (iii) Venezuelan official rate, (iii) Department official rate, (i





#### WORLD BOND MARKETS: This Week

Conner Middelmann

prices index data will be key.

underlying RPIX rate to 2.7 per cent, from 3.0 per cent in

and are widely expected to show a further fall in the

December. Retail prices are

6.30

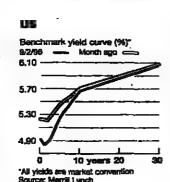
## US Treasuries have had a choppy week, weighed down by the new securities that hit

**NEW YORK** 

the market with the Treasury's quarterly refunding auctions. With the bulk falling on the longer end of the maturity spectrum, longer-date securities underperformed the Shorter end of the market. leaving the benchmark 30-year bond yielding 6.094 per cent.

Analysts are still optimistic on the long-term outlook. Most of the recent indicators have pointed to a deceleration in economic activity and a moderation of inflationary pressures, suggesting further

cuts in interest rates. But attention this week will focus on what Salomon Brothers describes as a strange statistical brew. long-delayed releases on factory orders and construction spending, a weather-impaired report on industrial output, and early-February soundings on chain store sales and manufacturing activity in the



Richard Tomkins

Philadelphia Federal Reserve

Closely watched will be the business conditions diffusion index in the Philadelphia business outlook survey, due on Thursday. The gap between those reporting a pick-up in business conditions and those reporting a slow-down in February is expected to have remained well below zero for a second month, albeit narrowing to 8 per cent from 16.6 per cent the month before.

#### After tracking US Treasuries and German bunds in the past Benchmark visit curve (%)" fortnight, UK gilts will have a ealthy crop of home-grown data to lead the way this week

Indeed many expect the market to do better than some data should see inflationary ressures ease, providing a firm basis for gilts to outperform," predicts Mr Andrew Milligan, UK economist at New Japan

LONDON

Securities. According to Mr Simon Briscoe, UK economist at Nikko, today's producer price data for January should reassure the market. "We expect all measures to show further falls in the annual rates." he predicts.

The Bank of England's expected to have fallen by 0.3 ner cent on the month, after a quarterly inflation report, due 0.6 per cent rise in December. on Wednesday, is expected to Friday's PSBR figures for highlight recent improvement January could lend further in inflation. Also due are support to the market. "We see unemployment data for a surplus of £4bn to £5bn ~ January, which are expected to that would be very good news be broadly unchanged. for gilts," says Mr Milligan. Thursday's January retail

#### FRANKFURT

The financial markets had some gloomy data to digest last week, with record unemployment and falling orders. Bond prices moved

sideways, with contradictory views about interest rates. Some traders argued that dismal jobless figures would eventually prompt the Bundesbank to nudge rates lower. Others took notice of rumours that money supply growth for January had risen so strongly that rate cuts could not be justified.

Mr Otmar Issing, a Bundesbank director, warned that January's M3 might be distorted because of the way the calculation method works at the start of the year. Mr Julian Jessop, economist at HSBC Markets

Research, pointed out that the Bundesbank had long argued that the deterioration in the labour market reflected high pay rises last year. "It would not cut interest

rates for this reason alone." he said. He expects no change in

#### Andrew Fisher

Benchmark yield curve (%)"

10 yes 20

the discount and Lombard

rates (now 3 and 5 per cent

respectively) at Thursday's

council meeting, with the

(repo) level rolled over for

another two weeks, but does

expect an eventual rate cut.

Mr Issing said the 3.30 per

cent repo rate was now at the

lower end of its range. But he

did not indicate if there was

further without cutting the

scope for the rate to fall

discount rate again.

7.00

5.00

4.00

A rise in the supply of new debt is wortying some market participants as an increasing number of companies dip into the market for funds.

ample funds in the money markets at the short end ahead of the rise in demand for funds before the March book closing, but long-term yields may face upward pressure from the rise in corporate funding.

economy has revived demand for capital investment. Many companies are having to raise new funds because equitylinked finance set up in the late 1960s has been affected by the stock market slump. This fixed-rate securities repurchas has prevented conversion of the instruments into equity.

saw slack sales last week. With corporate financing through equity-linked issues and new equity rising, investors have had less incentive to buy

## TOKYO

The Bank of Japan is expected to continue to provide The expected recovery of the

Straight bonds from Nissan Motor, Nippon Steel and Orix

straight bonds.

#### Benchmark yield curve (%)" 8/2/96 - Month ago = 4.00 3.00 -2.00 1.00 15 5 **YEARS**

Emiko Terazono

He Was

The bond market may also be hit by selling by Norinchukin, the leading agricultural financial institution. Mr Ichizo Ohara, the agricultural minister, revealed that Norinchukin will raise Y200bn, its share in the Y6,410bn housing loan bail-out scheme through Y100bn in government bond sales, Y80bn by dioping into its profits for the current business year and Y20bn through its reserve

#### Government bonds

## How to get from Ecu to euro via Emu

You have a better chance of Ecu, a currency backed effec-being struck by lightning than tively by nobody." finding an economist who believes European monetary union will take place in 1999 with the original signatories to the Maastricht agreement.

But while bond prices suggest investors expect some form of Emu to take place, the implications of a delay are not clear-cut. There is a particularly difficult risk/reward conundrum for investors in Ecu bonds, of which about Ecu128bn is outstanding.

A delay to Emu could be negative for Ecu bonds for two reasons, says Ms Phyllis Reed, European bond strategist at BZW. It would open up questions about conversion on a 1:1 basis with the new currency, the euro, and could lead some to believe the single currency would become a dead issue.

"Investors should continue to steer clear of the Ecu market altogether," she says, but adds: "The longer you move down the yield curve, the more you increase the likelihood that, in the end, you will be paid back in hard currency rather than the present private

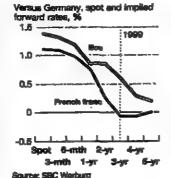
A two-tier market has developed, she says, with issues that redeem in Ecu because they expire before 1999 trading cheaper than those maturing after 1999 and currently due to be redeemed in euro.

There is a difference of almost 30 basis points in the spread over German paper between pre and post 1999 Ecu bonds. A delay to Emu would mean some post-1999 bonds being redeemed in Ecu, which would be less attractive to investors than euro.

Thus Ms Reed recommends holders of 2001 Ecu paper expecting it to be redeemed in euro to move out along the curve, at least past 2002. However, Ecu bonds may yet

deliver a bonus. First, the actual Ecu is about 3 per cent cheaper than its theoretical equivalent, making the bonds cheaper to buy.

Second, if the euro arrives without the weaker components of the Ecu, a 1:1 conversion rate would result in Ecu bonds being redeemed in a



were purchased in because it would contain a greater D-Mark weighting.

But good news for investors has another side: borrowers face repayment in a stronger currency, which may explain the shrinking size of the market. In the past two years redemptions exceeded issuance by Ecu5bn, and in 1996 Eculé.5bn will redeem, according to Paribas Capital Markets.

Much hangs on the likelihood of Emu, therefore, and stronger currency than they just which countries join.

"Despite the recent negative publicity there are still a number of people who believe that the politicians might get it pushed through," said Mr Garry Jones, head of global

bond strategy at Paribas

Market pricing would seem to support this view. Mr Steven Major, head of bond research at Crédit Lyonnais in Paris. said: "I don't think people realise just how much the market is expecting a currency union between France and Germany. Current pricing of the backmonth Pibor and euro D-Mark contracts is discounting early monetary union between Germany and France."

Over at SBC Warburg, Mr John Hall, head of European economic research, points to the one-year swap spreads (see chart), which show convergence between Germany and France. But if market pricing suggests convergence between France and Germany, why is there such a disparity between the Ecu and Germany?

He says: "Something is priced in. The reason the French curve does better is because the market believes

that even if Emu doesn't happen, French rates will fall." But he sounds a note of warning: "What is very clear from these charts is that the market is very exposed to disappointment on Emu, and a postponement would threaten the market unless it was

replaced with a very credible Emu process. "We are very sceptical that if there is a postponement, they can convince the markets that the delayed but renewed Emu process would be credible."

The recent talk of a delay to Emu has focused attention on the Ecu, and the yield spread over 10-year bunds has narrowed from 89 to 81 basis points in the past week. Mr Jones at Paribas believes there may have been a change to investor perceptions.

There are not too many Ecu bonds out there and with the redemptions due, Ecu assets will become rarer. Last week we saw the volume of Ecu trading way up on the volumes we were seeing in the fourth quarter of last year," he says.

Martin Brice

International bonds

investors' desire for greater

exposure to Poland's economic

boom, the zloty has become the

latest eastern European cur-

rency through which borrow-

ers can tap the eurobond mar-

The four zloty bond issues

which have surfaced in the last

two weeks offer investors the

high yields available on domes-

ble through Euroclear and

Cedel and carrying a much lower credit risk than Polish

government debt.

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Ulsamin.	5,60	0.50	3.00	5.80°	9.00	5.25
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One year	4.53	0.55	3.22	4.35	9.00	6.00
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·				- 14-13-21	: युद्धे - <del>ई</del> - र		1

#### February 1996 This announcement appears as a matter of record only. ORKLA ASA USD 600,000,000 Multi-Currency Revolving Credit and Guaranty Facility Deutsche Bank Luxembourg S.A. Union Bank of Switzerland Chemical Bank Norge AS Christiania Bank og Kraditisassa Deutsche Bank Luxembourg S.A. The Fuji Bank, Limited Banque Nationale de Paris SBC Warburg The Sumitomo Book, Limited USD 300,000,000 Fanding provided by Eleportfinans as

#### US\$460,000,000 Mandatorily Convertible Guaranteed Bonds issued by Henderson Capital International Limited

guaranteed by Henderson Land Development Company Limited and convertible into shares of Henderson China Holdings Limited

Condition 5(a) of the terms and conditions of the Bonds (the "Conditions") states that it was the intention, at the time of the issue of the Bonds, of Henderson Land Development Company Limited ("Henderson Land") to cause Henderson China Holdings Limited, ("Henderson China") to effect an Initial public offering ("IPO") of shares of Henderson China (the "Shares") on or before 27th October 1996. Terms defined in the Conditions bear the same

Notice is hereby given in accordance with Condition 18 that Henderson Land has today announced a proposal to effect an IPO of the Shares, which are intended to be listed on The Stock Exchange of Hong Kong Limited. Further Information about the IPO is set out in a circular to shareholders of Henderson Land dated 12 February 1996, copies of which are available for inspection at the offices of First Trust of New York, National Association as registrar and principal conversion and transfer agent at its office at 100 Walf Street, Suite 1800, New York, NY 10005, Morgan Guaranty Trust Company of New York as conversion and transfer agent at its office at 50 Victoria Embankment, London, EC4 QJP and Banque Parloas Luxembourg as conversion and transfer agent at its office at

If the IPO proceeds, a further notice indicating the consequences of the IPO for bondholders, as required by Condition 7(a), will be published in due course.

Bondholders should note that the terms of the IPO have yet to be finalised and that the IPO may not proceed. The CUSIP numbers of the bonds are G4398KAA00 (Unrestricted Bonds) and 424730AA7 (Restricted Bonds). The Common Code number of the Unrestricted Bonds is 4670515. The ISIN numbers of the Bonds are USG4396KAA00 (Unrestricted Bonds) and US424730AA72 (Restricted Bonds).

Henderson Capital International Limited

12th February 1996

logges have no qualus about destroying (the "Bonds") other toos that stand in their way. So a WWF project in Costs Rica is researching ways of felling a test without bioging down several others around u. e pain through the secondary tests. if the printerests are and wisely, they can be used forever. Help WWF prove this in coinforces around the world, by 10A Boulevard Royal L-2093 Luxembourg. ozing w de Moubeship Office ≠ de ((0)



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World Wide Fund For Nature 

Since the zloty is not yet fully convertible, the bonds' coupons and principal pay-ments are denominated in US dollars. Apart from that, however, they behave exactly like zloty-denominated securities, tracking the domestic T-bill market, which has staged a smart rally in the last two months, while exposing investors outright to the zloty. The European Bank for

Reconstruction and Development was the first foreign

Spurred by international issuer to raise Polish zloty in late January with Stom of one year bonds paying a coupon of 201/2 per cent, some 150 basis points below the coupon on Polish one-year T-bills at that

Zloty issues given a warm welcome

"By issuing bonds that can be settled through the [US Depository Trust Corporation] Cedel and Euroclear where investors take only a currency risk and no settlement or credit risks, we were able to issue at an interest rate level well below Polish T-bills and were able to get very good sub-Libor funding," says Mr Mar-cus Fedder, the EBRD's deputy

Treasurer.
While the EBRD's issue was triple-A rating and safe settlement, and the only risk is the

currency - and that's compen-

driven by arbitrage, it also brought new investors to the Polish market, he says. "Emerging-market funds can and do - buy government T-bills, but our issue opened the market to investors who cannot take Poland's credit or settlement risk. We provide a

T-Bill rates

sated by the high coupon."

Inspired by the success of the EBRD's offering, ING Bank issued \$50m of 20% per cent zloty-linked bonds and Midland Bank sold \$25m of 20 per cent bonds last week, both with maturities of one year. The international Finance Corporation ventured further along the yield curve, issuing ZI 100m of 18% per cent two-year bonds.

The issues have received a warm welcome from a wide

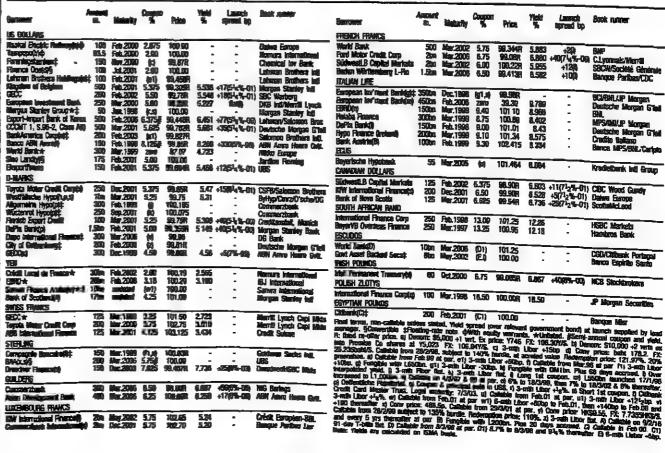
tors keen on the hefty coupons corporates who have interests in eastern Europe and are familiar with managing currency risks, emerging-market funds and fixed-income funds looking for extra yield.

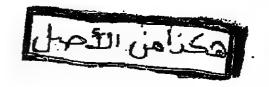
While the shallow zloty swap market is likely to prevent an explosion of supply, bankers say the positive economic environment will fuel continued investor demand, which in turn should encourage more surobond issuance.

Poland's policy of controlled zloty devaluation means high double-digit coupons on these bonds may be eroded by currency losses. But the country's trade surplus and significant capital inflows should continue supporting the currency as they did in 1995, with only a gradual, small devaluation during the year likely due to inflation, predict economists at Chemical Bank. They expect the gloty to slip by 9 to 10% per cent against the dollar in 1996.

Conner Middelmann

#### NEW INTERNATIONAL BOND ISSUES





#### **EQUITY MARKETS:** This Week

#### Wall St starts the week in tricky territory

**NEW YORK** 

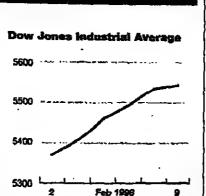
The equity market starts the week in tricky territory. It is only three months since the Dow went through 5,000, and already it is 10 per cent higher at 5,500. The market went up 3 per cent last week alone.

Last week's Treasury auction - the biggest in history - produced the lowest yield on the benchmark 30-year long bond since the series started in If the bond market is counting on

corporate earnings. Indeed, the strength of the two markets may be reaching the point where both cannot be right. The picture of the real economy is especially murky. The sharp slowdown in some sectors at the end of last year and the reduction of inventories may

recession, so much the worse for

have been reversed, but the severe weather early this year has made it difficult to be sure.



Tony Jackson

This week will bring some relevant data. The Philadelphia survey on the business outlook, out on Thursday, is likely to show further weakening of business confidence.

The survey will be of especial interest since other data this week - industrial production, factory orders and business inventories - are out of date because of the government shutdown.

Equally relevant will be any comments on current trading by quarter; but the bulk of the results season is already over.

#### Investors to focus on first

annual results

LONDON

The first notable announcements of the results season are likely to grab investors' attention this week, especially as a number of profit warnings have caused concern about the rate of earnings growth. The PT-SE 100 index fell 1.7 per cent last week, while Wall Street was recording repeated all-time highs.

Leading companies reporting this week include BP, Reuters, Shell, Hanson, Lloyds Abbey Life and Lloyds TSB. The figures themselves will be of great interest, but even more so the statements on current trading.

On the economic front, the market will have to absorb the normal mid-month deluge of data, notably producer prices today, unemployment and average earnings on Wednesday, retail prices on Thursday and the public sector borrowing requirement on Friday. Wednesday also sees the

## FT-SE-A All-Share index

Philip Coggan

2 Source: FT Exter

1,840

publication of the Bank of England's quarterly bulletin on inflation.

Feb 1996

The market's recent tendency has been to welcome weak economic data as increasing the chance of an interest rate cut. But it may be reaching the point when it starts to worry more about the likelihood of recession and the effect on corporate profits.

Publication of the Scott report into the sale of arms to Iraq may cause some jitters. The market still hopes the Conservative government can last into 1997; signs of an early election would not be taken well.

HK\$5.3bn placement by

which in the past has

Cheung Kong, the propert

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Ka-shing. Mr Li's cash roising.

coincided with market peaks.

saw the market trade lower

from Wednesday to Friday.

intensified last week, and

is still appetite for these

Speculative stocks have

writes Emiko Terazono.

one-line classified

dominated trading recently.

advertisements have appeared

in some of the morning dailies.

The advertisements, thought

to be codes placed by a stock

speculator who moved share

prices in the late 1980s, have

among investors. While the

publications denying

involvement, the rally in

continue in the near term.

the long process of asset

spurred a flurry of excitement

stock speculator has written to

leading newspapers and other

speculative stocks is likely to

Mr Peter Tasker, strategist

at Kleinwort Benson, sees the

spate of events as "the end of

Compiled by Michael Morgan

and a series of mysterious

instruments.

TOKYO

The wave of warrant issues

merchant bankers reckon there

#### International offerings

## Prospects brighten for Chinese H share offerings

Improving sentiment towards cent to HK\$1.39, and Peregrine China and the weight of overseas money washing into the Asia Pacific region are set to revive the subdued market for international offerings from

The consensus among bankers in Hong Kong is that four issues will be launched by summer, with smaller capital raisings from companies in government supported sectors likely to lead the pack.

"A lot of uncertainties surrounding China have been removed, especially on import tariffs and the austerity measures, which will ease this year. This will enhance the prospects for China enterprises, and it will become far easier for them to list," said Mr Peter So. assistant director with Schroder Securities Asia. China's overseas equity rais-

ing programme began with a bang in July 1993 when Tsing-tao Brewery issued the first H shares, the name given to the Hong Kong-listed stock of former Chinese state enterprises. Huge sacks were used to cart off the applications and Tsingtao's HK\$889m offering was

110.5 times oversubscribed. But by last year the positive sentiment had fizzled out, and just three H share issues made it to market, reflecting investors' growing disenchantment with the macroeconomic environment in China and the quality of the companies coming to market. Poor disclosure and news that some companies were channelling the listing proceeds into non-core activi-

ties also annoyed investors. This year has already seen one issue, from Jingwei Textile Machinery. The stock was one of the cheapest offerings to date: the HK\$1.29 a share price tag translates into a price-earnings multiple of just 7.2 times 1995 earnings and 6.3 times this year's earnings. This compares with the 17.9 times prospective earnings multiple achieved by Tsingtao Brewery.

Jingwel spansored by Peregrine Capital, issued 160m shares - 42.11 per cent of the enlarged capital - to raise HK\$201.6m. When trading kicked off earlier this month. the share price rose 7.75 per

exercised part of its over-allotment option. The issue was seen as an encouraging sign for the backlog of some 35 H

Among issues tipped to follow Jingwei in the next six months are Guangdong Fotao, a ceramics manufacturer which has prepared all its paperwork and would be in a position to move ahead quickly.

The HK\$500m issue was

shelved in November as shares in Chinese companies sank to record lows amid concerns that axed subsidies and import tariff reductions would create a more competitive marketplace. Mr Chris Yau, director of China Research, says the emphasis will be on good quality companies, since foreign investors, having been bitten on previous issues, are set to

be doubly selective Companies in industries which the Beijing government has pledged to support energy, infrastructure, materials and transport - should also receive a positive response.

In this category, those likely to be at the front of the queue include Guangzhou-Shenzhen Railway, which is understood to have awarded the mandate to Bear Stearns.

Some bankers reckon the much-delayed power issues. including Shandong Interna-tional Power Development (SIPD), could meet a more sympathetic reception this year as falling inflation in China will mean improved real rates of return on projects.

SIPD's HK\$2,7bn global offering, co-sponsored by Goldman Sachs and Peregrine Capital, has been on the back-burner since November 1994.

An imprecise edict from Bejing curtailing the rate of return available to foreigners on power projects conspired with concerns over foreign exchange guarantees to cloud the sector and chase off international investors.

Protracted talks with the Chinese government on tariff agreements has also haunted Datang Power, estimated to be seeking HK\$500m and sponsored by Salomon Brothers.

Mr So adds that China's demand for power will continue to grow, especially as the government expands the economy and seeks to improve the

living standards. Regulations governing the industry also appear to be becoming more clear-cut. "It is quite likely they will come to market this year because if the liquidity that is in the market continues to grow, there will be demand for the power

industry." he says.

Consumer-related issues are also likely to be popular. Panda Electronics, which has been shunted around a number of merchant banks, is now being arranged by Peregrine Capital and is understood to be raising between HK\$400m and HK\$500m.

More complex issues - for companies bundled up with a raft of assets and welfare-type activities to be stripped out or restructured prior to listing may well be held in abeyance for another year, bankers say.

The two airlines, China Eastern and China Southern, were originally bound for Wall Street. But the unimpressive performance and volumes of other China stocks traded there means they are now looking at dual listings.

Mr Alex Ko, a director with Peregrine Capital, reckons the trend for all listings is for an international placement with a Hong Koug public offering.

reckon improved sentiment towards China will help bloat p/e multiples, but they are wary of a blanket approach. Mark Hantho, head of equity capital markets at Morgan Stanley Asia, points to the 15 per cent yearto-date rise in the index tracking the performance of the A share companies and the 10 per cent increase in the index for their China-listed counterparts, the hard-currency B shares.

China itself, which has two B ahare markets in Shanghai and Shenzhen, is likely to witness more activity this year, at least partially as a result of government efforts to support the depressed markets and improve their credibility.

Louise Lucas

#### OTHER MARKETS

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The Italian stock market reaches an important milestone on Friday when it moves to full five-day cash settlement on all its approximately 320 quoted stocks, writes John Simkins.

It marks the end of a process which began in January 1994 with 53 of the least liquid and least traded stocks and is in line with the worldwide trend for short settlement periods. Hitherto, settlement in Milan

has been at the end of the stock exchange calendar month. The intention is to make the

market more transparent and

trading less risky. As the smooth functioning of a stock lending market is seen as crucial to the success of five-day settlement, the exchange has endeavoured to provide traders with the requisite tool kit, such as a framework of stock lending

contracts. Five days has also been the period favoured by the exchange for the introduction on February 19 of options on individual stocks, starting with Eni. Generali, Fist, Stet. Tim options will be traded on all stocks in the Mib 30 index.

#### ZURICH

There is little in the way of corporate news scheduled for this week to pull the market out of its volatile consolidation of last year's sharp rise.

Instead, investors will have to wait until the end of next week for full-year figures from UBS, which may also provide a brief update on the state of play of the bank's battle with its dissident shareholder, Mr Martin Ebner. Blue chips have been out of

favour in recent sessions. Attention has turned to mid-cap stocks, with domestic and foreign brokers issuing a series of recommendations. Among the stocks drawing attention have been Kuoni, the travel operator, which has risen by 27 since the beginning of December, Adia, the temporary employment agency, up 27 per cent since mid-January, and Danzas, the freight forwarding company up 20 per cent since the start of

Smaller but still substantial rises have been seen in Keramic, the building materials and porcelain group, almost 8 per cent higher since mid-January; and Schindler, the lifts and elevator maker which has risen more than 10 per cent this year.

The Financial Times plans to

publish a Survey on

Latin

American

Finance &

Investment

on Monday, March 25.

It is not yet clear whether the Mexican financial crisis represents a

short-term disappointment or a more fundamental setback to the

region's long-term growth prospects. This survey will review the issues

and policy responses to the crisis, and the prospects for foreign

For more information on advertising opportunities in this survey,

Penny Scott in New York:

Tel; (212) 688-6900 Fax: (212) 688-8229

#### PARIS

The equity market fell back slowly but steadily during the course of last week, and even a 15 basis point cut in the intervention rate on Thursday, bringing it down to its lowest level in two decades, failed to

enliven sentiment. While there has been some disappointing corporate news, hardly a surprise to investors, the market's fall seems to have been triggered more by a desire to take profits. The CAC-40 reached an 18-month high of 2,024 at the start of the month, since when it has been

back-pedalling. Results this week include Rancaire tomorrow, with estimates of a 10 per cent increase in the bank's net profit, and Rousell Uclaf, which is due to publish its 1995 report on Thursday, for which the consensus is for a fall in earnings.

#### amsterdam

Corporate results will continue to provide the motive force for equities this week, with figures due from PolyGram on Wednesday and Royal Dutch and Philips on Thursday. UB\$ notes that PolyGram has already announced flat 1995 profits, because of a

company to be positive on the 1996 outlook, given its strong release schedule in music. Royal Dutch's full-year

doubling of losses in the film division. But it expects the

figure is expected to indicate a 23 per cent fall in the fourth quarter, to include restructuring charges for head office reorganisation and the sale of Turkish assets.

UBS expects Philips full-year figures will imply a rise in fourth quarter operating profit of 7.7 per cent. It forecasts that components will again be the strong driver behind profit growth, with an estimated 38 per cent fourth-quarter rise.

#### HONG KONG

The market is in for a quieter week, with retail activity drying up ahead of the lunar new year holiday from next Monday. Banking stocks are likely to

remain in the limelight following the strong performance revealed by Bank of East Asia, the colony's third biggest listed bank, last Thursday, HSBC and Hans Seng Bank, the two bigges banks, report their finals at the end of the month.

Brokers expect more warrant issues and cash raisings following last Tuesday's

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The First Nameral Bank of Chica FINANCIAL TIMES



#### LIBERTY LIFE ASSOCIATION OF AFRICA LIMITED

nimizen number 57/03788/06) ned in the Republic of South Almost ("Liberty Life")

CAPITALISATION SHARE AWARD AND RIGHT OF ELECTION TO RECEIVE A 29,6% INCREASED FINAL CASH DIVIDEND OF 140 CENTS PER SHARE FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 1995

The directors have resolved to award capitalisation shares to ordinary shareholders of Liberty Life who are registered in the books of the company at the close of business on Friday, 23 February 1996. Shareholders are entitled and will be given the opportunity to decline the award of capitalisation shares in respect of all or any part of their shareholding and instead may elect to receive a final cash dividend in respect of the year ended 31 December 1995 of 140 cents (1994; 108 cents) per ordinary share, representing a 29,6% increase over the final cash dividend for 1991. Non-resident shareholders' tax has been abolished in respect of this final dividend and future dividends.

The cash interim and final dividend equivalent announced in respect of the year ended 31 December 1995 amounted in aggregate to 256 cents (1994: 204 cents) per ordinary share, representing an increase of 25.5% over the previous year.

The number of capitalisation shares to which shareholders are entitled will be determined by the ratio that 140 cents multiplied by 1,05 bears to the closing price of the company's ordinary shares on The Johannesburg Stock Exchange ("the JSE") at the close of business on 22 March 1996 averaged with the closing prices on the three business days prior to that date. This more equitable method of calculation of the applicable capitalisation shares differs from the practice previously adopted. To the extent that capitalisation shares are issued in the above circumstances, this will reduce Liberty Life's liability in respect of Secondary Tax on Companies and

The new ordinary Liberty Life shares which will be issued pursuant to the capitalisation share award will be issued as fully paid up by way of a capitalisation of part of Liberty Life's distributable reserves. Subject to the approval of the JSE and the London Stock Exchange, a listing for the new Liberty Life ordinary shares to be issued pursuant to the capitalisation share award will commence on Wednesday, 3 April 1996. Documentation dealing with the capitalisation share award and the final cash dividend election form will be posted to shareholders on or about Thursday, 29 February 1996. In order to be valid, completed election forms will need to be received by the company's transfer secretaries, by no later than Friday, 22 March 1996. However, if the form of election is received by not later than 29 March 1996 and the envelope is postmarked 22 March 1996 or a date earlier than that date, the company will accept such form of election. Should such election not be timeously received, Liberty Life will automatically issue capitalisation shares to all relevant shareholders concerned.

All fractions of new capitalisation shares awarded will be aggregated and sold on the JSE for the benefit of the relevant shareholders.

It is expected that share certificates in respect of the new Liberty Life ordinary shares and, if applicable, cheques in respect of the final cash dividend and fractions will be posted to shareholders on or about Wednesday, 3 April 1996. The full prelimmary results for the 1995 financial year will be announced on or about 14 March  $1^{496}$ .

On behalf of the board

will benefit shareholders pro-rate.

D Gordon

8 February 1996

#### U.S. \$300,000,000 Floating Rate Depositor Receipts Due 1999 lssued by The Line Debenius Trust Carpiniumon (Carmani Limite evidencing emittenent to payment of principal and interest on deposits in an aggregate principal amount of U.S. \$300,000,000 with **8** Gariplo addince with the provin In accordance with the provisions of the Depositary Recents, notice is hereby given that the Raie of Interest for the three month period ending 7th May 1996 has been fixed at 5.4375% per amain. The interest accraning for such three month period will be U.S. 513.59 per U.S. \$1,000 Receipt, U.S. 51359 per U.S. \$1,000 Receipt and U.S. \$1,359.37 per U.S. \$100,000 Receipt accumal period of the period of the Receipt accumal presentation of



EUROPEAN INVESTMENT BANK Floating Rate Notes Due 2000

Coupon No. 12 due from Fehruary 1996 to August 9, 1996 will be payable starting August 9, 1996 at the rate of 9,375% TTL 236,979; per tTL \$400,000 No.

TTL 2369.792, per TTL 50,000 (gr ) SANPAOLO BANK S.A. Agent Benk

U.S. \$100,000,000 Crédit Commercial de France Subordinated Floating Rate Notes Due 2005 Hatta Notes Due 2005
In accordance with the provisions of the Notes, nodice is hereby given that for the Interest Period from Pebruary 12, 1996 to August 12, 1996 to Notes will carry an Interest Rate of 5.00%, per annum The interest payment date, August 12, 1996 will by U.S. \$25.26 per U.S. \$1,000 Note, U.S. \$25.27.78 per U.S. \$10,000 Note, U.S. \$2,527.78 per U.S. \$10,000 Note. per U.S. \$100,000 Note By: The Chara Manketian Beck, H.A., London, Agent Benk February 12, 1996

#### Surveys

please contact:

Investment in Latin America.



principal and interest on deposits with Caripio-Cassa di Risparimo Delle Provincie Lombarde S.p.A, London Branch

Notice is hereby given that the receipts will bear interest at 5.67578% per annum from 9 February 1996 to 9 May 1996 interest payable on 9 May 1996 will amount to US\$141,89 per US\$10,000 and US\$1,418.95 per US\$100,000 receipts.

Agent: Morgan Guaranty Trust Company JPMorgan



Reconstruction and Development Yen 50,000,000,000

Floating rate notes due 9th February 2001

Notice is hereby given that the notes will bear interest at 0.8625% per annum from 9 February 1996 to 9 August 1996. Interest payable 9 August 1996 will amount to Yen43,604 per Yen10,000,000

Agent: Morgan Guaranty Trust Company **JPMorgan** 

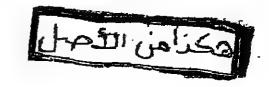


Autobahnen- und Schnellstrassen-Figanzierungs- Aktiengesellschaft U.S. \$200,000,000 Guaranteed Floating Rate Notes due 1996

In accordance with the provisions of

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 9th May, 1996 has been fuxed at accruing for such three month period will be U.S. \$13,002 per U.S. \$10,000 Bearer Note, and U.S. \$1,300.20 per U.S. \$10,000 Bearer Note, on 9th May, 1990 against presentation of Coupon No. 14. Union Bank of Switzerland London Branch Agent Bank 7th February, 1996

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	EUROPE	WORLD STOCK MARKETS  When Rockwell isn't  powering the Shuttle into  space it's delivering just-in-time sunroofs in  36 minutes  A Rockwell  A Rockwel	



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FINANCIAL TIMES MONDAY FEBRUARY 12 1996	<i>1</i>
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MONEY RATES February 9 Over right

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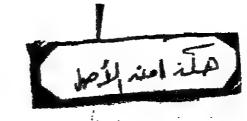
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TABLES SEE SENT 174 W 10 14	Firster 1.20 16 555 850 49 <sup>1</sup> q 49 <sup>2</sup> q + <sup>3</sup> q Francis 1.00 38 97 29 <sup>2</sup> q 29 29 <sup>3</sup> q + <sup>1</sup> q Francis 24 1377 25 <sup>2</sup> q 24 <sup>3</sup> q 25 <sup>3</sup> q - 1	Mendan 148 17 3907 u5214 4914 52+2.05 Nerted 1311793 42 35 42 +12	Seed Tec 0.08 18 81 11 1 1 1 1 1 1 1 1 1 1 1 1 1 1
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81 Mac 34 1104 9 <sup>1</sup> 2 9 <sup>1</sup> 4 9 <sup>1</sup> 5 - <sup>1</sup> 5 8198 0-20 12 455 11 <sup>2</sup> 6 11 <sup>2</sup> 7 1 <sup>2</sup> 7 1 <sup>2</sup> 7 1 <sup>2</sup> 7	Genetifis 2 24 112 122 123 +16 Georg/2008 1210276 28 2716 2776	Mosines P 0.36 13 61 26 <sup>1</sup> 2 26 25 <sup>1</sup> 2 MT9 Sps 0.86 12 134 33 <sup>1</sup> 2 35 33 Microsom 20 1431 U17 <sup>1</sup> 2 16 17 <sup>1</sup> 2 + <sup>1</sup> 6	William   Will
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Bustness S 1.46 12 4505 42 41 <sup>3</sup> g 41 <sup>5</sup> g - <sup>1</sup> g Bub Evens 6.32 12 1222 16 <sup>3</sup> g 16 16 <sup>1</sup> g Boole S B 18 64 22 <sup>1</sup> 2 22 <sup>1</sup> 2 22 <sup>1</sup> 2	Generation 14 465 81 <sub>6</sub> 75 <sub>8</sub> 75 <sub>3</sub> -1 <sub>2</sub> Georgeme 48 3973 737 <sub>6</sub> 71 <sup>1</sup> <sub>2</sub> 72 <sup>1</sup> <sub>2</sub> +1 <sub>6</sub>	Hash Frick 072 to 60 17 <sup>1</sup> 2 17 17 <sup>1</sup> 4 + <sup>1</sup> 4 Han Compt 035 20 145 19 <sup>1</sup> 4 19 <sup>1</sup> 4 19 <sup>1</sup> 4 - <sup>1</sup> 4 Has Sea 020 36 486 31 29 <sup>1</sup> 4 30 <sup>1</sup> 4 + <sup>1</sup> 4	TCA Cable   0.66 24   132   30 <sup>3</sup> 4   30 <sup>3</sup> 9   30 <sup>3</sup> 4   10° 664   16°23811   22 <sup>3</sup> 6   21 <sup>3</sup> 4   21 <sup>3</sup> 8   4 <sup>3</sup> 1   16°23811   22 <sup>3</sup> 6   21 <sup>3</sup> 4   21 <sup>3</sup> 8   4 <sup>3</sup> 1   16°23811   23 <sup>3</sup> 6   15   14 <sup>3</sup> 2   14 <sup>3</sup> 2   4 <sup>3</sup> 4   16°23811   16°3381   16°33
Bortand 12 7191 195 <sub>8</sub> 181 <sub>2</sub> 165 <sub>8</sub> -1 <sub>4</sub> Boston Bit 0.76 7 115 421 <sub>2</sub> 421 <sub>6</sub> 421 <sub>6</sub> -1 <sub>8</sub>	Sected Cox 6 7371 8 <sup>1</sup> 2 8 8 <sup>1</sup> 4 -1 6 Subsect 61 649 4 1041 15% 15% 15% 155 Gathoost 6.12 77 7127 15% 1412 1413 +1	Navepator 600 17 285 18 <sup>1</sup> 2 17 <sup>1</sup> 2 18 <sup>1</sup> 2 + <sup>1</sup> 4 NSC 046 46 63 51 <sup>1</sup> 2 81 51 <sup>1</sup> 2 - <sup>1</sup> 2	Tacument 1.00 9 34 52 2 51 4 52 2 +4 Tologiac 19 178 14 2 14 14 -7
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- C -	GTT COMP 30 243 1334 13 13 13 GENTY Sug 13 204 1175 1175 1175 1175 1175 1175 1175 117	Hazzari 0.50 19 6025 427 <sub>6</sub> 42 42 Hazzari 14 24 25 <sub>16</sub> 25 25 -3 <sub>2</sub>	Tokos Nad 15 3025 11 <sup>3</sup> 4 10 <sup>3</sup> 8 10 <sup>3</sup> 4 + <sup>3</sup> 8 Tokys Mar 0.40 22 2 64 <sup>5</sup> 4 84 <sup>5</sup> 4 84 <sup>5</sup> 4 - <sup>3</sup> 4
G Yec 9 820 436 <sup>1</sup> 2 35 <sup>1</sup> 4 36 <sup>1</sup> 2 + <sup>1</sup> 4 CadSchups 7.28 17 135 33 32 <sup>7</sup> 9 33 - <sup>1</sup> 4	Quadra 21401 224 212 22 412	11 Start to 135 10 u8/g 8 8/g 4/g 85 ptn 125 10 14 16 16 16 16 16 16 16 16 16 16 16 16 16	Ton Brown 48 1500 14 <sup>1</sup> 4, 13 <sup>1</sup> 4, 14 + 2 Topps Co 0.28 29 886 5 2 41 5 TP1 Enter 6 358 2 2 2 2 2 2 2
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CurtonCom 0.77 20 6 32 <sup>1</sup> g 32 <sup>1</sup> g 32 <sup>1</sup> g 32 <sup>1</sup> g + <sup>2</sup> g Curcatio 0.35 10 151 14 <sup>1</sup> g 13 <sup>1</sup> g 14 + <sup>3</sup> g Curry S x 0.16 23 1650 23 <sup>1</sup> g 22 <sup>2</sup> g 23 - <sup>2</sup> g	Newtonar	OCreaters 9 111 1214 1112 12 Octot Com 25 5768 3712 3618 3716 418	Typeda 0.12 16 2520 243, 241, 2412 +14
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ORNOT 136 1114 15 <sup>1</sup> 6 14 <sup>5</sup> 8 15  Chooses 0 1139 14 <sup>1</sup> 6 3 <sup>1</sup> 3 7 - <sup>1</sup> 6  Chooses 100 20 24 24 <sup>1</sup> 2 23 <sup>1</sup> 4 24 <sup>1</sup> 2 + <sup>1</sup> 2	研覧 22 部 22 17名 17名 E test 1 250 12 17名 13	- P - Q - Paccer 1.00 7.3649 52.49 <sup>1</sup> 4 51 <sup>3</sup> 4 +2	Valence 0.30 14 2507 u26 25 <sup>1</sup> 4 25 <sup>1</sup> 4 Voord Cel 59 4127 22 20 <sup>7</sup> 2 21 <sup>7</sup> 3 +1 <sup>1</sup> 3
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Cogner Cp 53 2455 2312 2814 2312 +14 Cogner S4 387 4714 4614 4714 +18	Infiling 0.24 24 180 2711 274 274 774 772 Infiling 26 3186 164 154 154 155 44	Projection 8.36 56 2105 57 <sup>1</sup> 2 55 <sup>1</sup> 2 55 <sup>1</sup> 2 -2 Projection 14 19 8 <sup>1</sup> 8 7 <sup>1</sup> 4 7 <sup>1</sup> 4	Vicor 19 1257 14 <sup>1</sup> 4 13.27 13 <sup>3</sup> 9 - <sup>3</sup> 4 Vicorphit 21 77 10 <sup>5</sup> 8 10 <sup>3</sup> 8 10 <sup>5</sup> 8 Vicorphic 63 1817 11 10 <sup>3</sup> 4 10 <sup>3</sup> 4 - <sup>1</sup> 8
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15

#### **MONDAY**

Major makes IRA statement

12

In the wake of the bomb marking the end of the IRA's ceasefire, John Major, the prime minister, addresses the House of Commons. In Washington, David Trimble, the Ulster Unionist leader, continues meeting senior administration officials in what was to have been an attempt to enlist support for his planned elective process in Northern Ireland. It was Mr Major's need for Unionist support in the Commons that is blamed by Irish nationalists for his reaction to the Mitchell report and his opting for the election plan. Northern Ireland's constitutional parties are in intensive dialogue.

Republican caucuses in lowa The Iowa Republican caucuses mark the real beginning of the 1996 US presidential election campaign. Unlike in the Louisiana caucus last week, all the party's candidates are present, with a finish in the top three considered essential for survival into the primaries proper. Bob Dole, the Senate majority leader from neighbouring Kansas, should win but is being pressed hard by publisher Steve Forbes's saturation commercial blitz. Pat Buchanan, Phil Gramm and Lamar Alexander hone to stay close. However, Iowa is not an infallible guide to the

#### China-Vietnam trains restart



The first trains linking Vietnam and China in 17 years head for the Sino-Vietnamese border. The link, which was severed when a brief border war broke out in 1979, is not

complete: passengers from Hanoi or Beijing will have to disembark and walk a few hundred vards over the frontier before resuming their journey. This is because of a minor border dispute and a difference between the train gauges. China hopes for greater access to Vietnam's market of 73m people, while Vletnam seeks to neutralise any strategic threat from its mighty neighbour by engaging it commercially. Travelling time between the capitals will

#### Hoibrook battles in Bosnia

In what may be his last Bosnia mission, the US special envoy Richard Holbrook is due to continue his attempts to try to defuse the escalating dispute over the detention of Serb soldiers by the Bosnian government. Mr Holbrook, the main architect of the Dayton peace agreement. is to follow up yesterday's meeting in Sarajevo with top-level talks in Zagreb and Belgrade. He was sent by the US secretary of state. Warren Christopher, who said the mission would send a strong signal that the Dayton accord should be fully implemented. The Bosplan Serbs have broken off relations with the Nato-led peace force, Ifor, for as long as the soldiers are detained. Mr Holbrook is to rettre in

team headed by Lee Sands, the assistant US trade representative, and their Chinese counterparts, who will be led by Zhang Yuejiao, of the Ministry of Foreign Trade and Economic Co-operation. The talks will be difficult because of sharp disagreement over Chinese progress towards stamping out the rampant counterfeiting of entertainment and information products. Little progress is expected. The US is threatening sanctions unless China makes greater efforts to implement the greement, which was made a year ago.

A final attempt is made to save the Czech one of its three main steel plants. Poldi's



#### Turkmenistan-Turkey talks

Hopes of reviving a delayed deal to supply gas through a pipeline from Turkmenistan to Turkey are behind a visit to Ankara by the president of Turkmenistan, Saparmurat Niyazov. Construction of the nipeline through Iran from Turkmenistan. which has the second largest gas reserves in the world after Russia, failed to start last May because of financial difficulties.

World indoor championships, singles and pairs, Preston, England (to Feb 25).

Public holidays Cameroon, Japan (National Foundation

Day), USA (several states).

#### TUESDAY

#### China anti-piracy dispute

The implementation of an anti-piracy agreement in China will be discussed by a

## Czech steel rescue effort

majority owner, Vladimir Stehlik, is discussing a rescue package with the Skoda engineering group that could see Mr Stehlik forfeit his shareholding to Skoda. Poldi has been in difficulties since Mr Stehlik bought his stake from the government about two years ago.

#### Yeltsin election declaration



President Boris Yeltsin is expected to fly to his home city of Ekaterinburg, where it is widely anticipated that in two days' time he will declare he is to run again for the

Russian presidency, the election for which is on June 12. Mr Yeltsin, 65, whose popularity has plummeted following the Chechen conflict and because of his government's tough economic policies, would appear to face an upbill struggle against a resurgent Communist party led by Gennady Zvuganov - who is expected to be nominated the party's presidential candidate at a congress which also meets on Thursday. Mr Yeitsin, who has been in poor health and has been abandoned by many former allies, may yet decide not to run, beeding his wife's counsel.

#### WEDNESDAY 14

#### MEPs debate television The European parliament debates

controversial amendments to the television without frontiers directive, which aims to tighten restrictions drastically on what European broadcasters can cransi services such as tele-shopping. The

directive would also require theme channels, such as cartoon channels, to invest part of their budgets in European

#### UK inflation report

The Bank of England publishes its latest quarterly assessment of the government's anti-inflation policy. Financial markets will scrutinise the report for evidence that the Bank was overruled when Kenneth Clarke, the chancellor, cut interest rates for the second month running in January. The Bank will indicate whether it expects the government to achieve its inflation target in two years' time, providing a clue as to its likely attitude to future moves in

#### Saleroom



The most important single-owner collection of carpets, tapestries and textiles to reach the market in 50 years begins to be dispersed at Christie's in London. The

descendants of Lehmann Bernheimer, who started in the antiques business in Munich in 1864, are disposing of thousands of woven artifacts, many of which were acquired from European nobles in the 19th century. Among the highlights in the first sale are a 15th-century triple medallion Mamluk carpet, which could make £450,000, and a 17th-century Persian "Polonaise" silk carpet from the royal workshop at Isfahan, which carries an estimate of up to 2350,000.

#### Business Travel '96

Europe's only exhibition dedicated to Design Centre, London (to Feb 16).

Des durable algoments

Feb Philadiphia Fed indu

Dec wholesele trade

Start of the World Cup: England v New Zealand, Ahmedabad, India.

FT Surveys

European Postal Systems. Conferences, Exhibitions and Travel.

#### THURSDAY

#### Scott report published

The three-year wait for the conclusions of Sir Richard Scott's inquiry into the UK's arms-for-Iraq affair ends at 3.30pm. The report will judge whether ministers, who relaxed British export guidelines to enable companies to sell arms to Iraq in 1988. misled parliament by failing to inform the House of Commons of the decision and then suppressed information to save

embarrassment. The Labour party opposition is after scalps, with William Waldegrave, the chief secretary to the Treasury, and Sir Nicholas Lyell, the attorney general. looking the most vulnerable. However, the government will not want to sacrifice anyone - leaving senior civil servants to

#### Alert at Bangladesh polis

Thousands of Bangladeshi troops will be at polling booths for what could prove the country's most tense and violent election day since its liberation from Pakistan in 1971. The poll has been delayed twice in attempts to reconcile bitter differences between Khaleda Zia's Bangladesh Nationalist Party, which took power in 1991, and the three main opposition parties led by Sheik Hasina's Awami League, The opposition has vowed to boycott and oppose the poll claiming "free and fair" elections will be possible only if Mrs Zia stands down in favour of a neutral caretaker government.

#### Farnell bid decision

A meeting in Wetherby, west Yorkshire, will decide the fate of the ambitious £1.8bn takeover bid by Farnell Electronic for Premier Industrial Corporation of the US, which would create the third largest electronic component distributor in the world. The deal, which involves the UK group issuing shares and taking on a lot of debt, has split shareholders.

#### Carnival in Rhineland

Carnival in the Cologne area moves into top gear as offices close for Weiberfastnacht, the ladies day on which maidens and matrons take to the streets with a licence to prey on men, normally by chopping off their neck ties. Festivities go on in the Rhineland until Ash Wednesday.

#### FRIDAY 16

#### Former Italian PMs on trial

Hearings resume in Milan in the trial of Silvio Berlusconi, the media magnate and former Italian prime minister, who is among 11 defendants accused of bribing financial police. In Palermo, meanwhile, the trial resumes of another former prime of having been a protector of the mafia.

#### **Mastering Management**

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#### FT Survey European Stock Markets.

#### Public holidays

Bangladesh, Ivory Coast, Lithuania, Taiwan (stock market, to Feb 17).

#### SATURDAY 17

Clinton in New Hampshire President Bill Clinton joins the Republican field in New Hampshire, ahead of the Feb 20 primary. He is unchallenged in the state.

where he finished a strong second in 1992.

Rugby union Five nations' championship: France v Ireland, Paris; Wales v Scotland, Cardiff.

Public holkdays Bangladesh, Mauritius, Nepal, Sri Lanka.

#### SUNDAY

18

#### Poles vote on privatisation



to mass tandouts of state assets. The referendum, which is backed by Lech-Walesa and the rightwing opposition, asks if

Poles vote in a

referendum which

could oben the war

people want to be given shares in state property. The opposition argues that the government's privatisation policies serve merely to enrich the former Communist nomenklatura. Polls suggest the turnout could be lower than the 50 per cent level required. This would be a relief to the government, which says there are too few assets to go around and that they should be floated on the stock exchange.

#### Kohl visits Russia

Germany's chancellor, Helmut Kohl, flies to Russia for a three-day visit to Moscow and St Petersburg at the invitation of President Boris Yeltsin. The German leader will discuss economic co-operation : and try to soften Russian hostility toward. the planned expansion of Nato to include former Communist countries from eastern. and central Europe. Mr Kohl is anxious that Nato enlargement should not become. an issue in the Russian presidential election campaign. His visit follows a three-day visit to Moscow by the French prime minister, Alain Juppe, who meets Mr Kohl at the start of the week.

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#### Other economic news

Febuary 21.

Monday: UK producer price data is expected to show a smaller rise both in manufacturers' costs and in factory gate prices last month than in December.

Tuesday: The Federal Reserve Bank of Atjanta will publish its measure of business

activity. The British Retail Consortium's sales monitor will provide a further indication of trading conditions on UK high streets last month. Wednesday: UK labour market statistics are expected to show another drop in unemployment last month. But annual average earnings growth is thought to have

thought to have risen more than export prices. Thursday: Economists expect UK retail prices to have fallen last month. Japanese industrial production is thought to have risen again in December. US factory orders are predicted to have increased

picked up in December. US December import prices are

further in December. Friday: Figures on UK public sector borrowing are expected to show a repayment in January. US industrial production is forecast to have fallen last month, easing capacity con-

#### Statistics to be released this week

US

US

Day Released	Country	Rostenic Statistic	Hedian Forecast	Previous Actual
Mon	Germany	Jan final cost of living, West"	-	0.3%
Feb 12	Germany	Jan final cost of living, West**	-	1.5%
	Germany	Jan fnl cost of living, pan-Germany		0.3%
	Germany	Jan fril cost of living, pan-Germany**	-	1.8%
	UK	Jan producer price indx input*	0.1%	0.4%
	UK	Jen producer price indx input**	4,4%	5.6%
	UK	Jan producer price indx output*	0.5%	0.8%
	UK	Jan producer price indx output**	3.9%	4.3%
	UK	Jan PPI ex-food, drink & tobacco**	3.8%	4.3%
	Spain	Dec producer price indic*	0.2%	-0.2%
Tues	US SU	4th qtr employ cost indx,cfvikan***	0.7%	0.6%
Feb 13	US	4th qtr employ cost indx, civilien**	-	2.7%
	US	Jan Atlenta Fed Indx	-	-19.9
	Japan	Dec mach orders ex-power/ships*	1.9%	2.1%
	Jepen	Dec mach orders ex-power/ships <sup>m</sup>	9.5%	10.9%
	Spain	Jan consumer price indu."	0.7%	0.3%
West	US	Dec export prices	-	-0.2%
Feb 14	US	Dec import prices.	-	0.2%
	Japan	Jan Tokyo dept store salse**	-	-1.7%
	UK	Jan unemployment	-5,000	-7,900
	UK	Dec average earnings	3.5%	3.26%
	UK	Dec unit wages 3-month**	4.0%	4.0%
Thur	us	Dec factory orders	0.3%	0.5% est
Feb 15	US	Dec factory inventories	-	0.5% est
	US .	Dec durable orders	0.5%	0.5% est

	US	Jan monthly M1	-\$5,4bn	-\$4.2bn
	US	Jan monthly M2	\$15.8bn	\$17.2bn
	US	Jan monthly MS	\$10.0bis	\$14,4bn
	US	initial claims we Feb 10	375,000	₹. "
	Japen	Dec industrial production?	-	0.8%
	,Exposit	Jan overeit wholesele price inch"	0.3%	0.0%
	,laccard	Jun domestic utrolesale price indi	C	-0.7%
	UK	Jam setall buce judy,	-0.3%	0.8%
	LIK	Jan retail price indx**	2.9%	. 3.2%
	UK .	Jan RPI ex-mortige int payments**	2.8%	3.0%
Pri ·	US	Dec construction spending	-0.5%	0.5% est
Feb 16	US	Jan Industrial production	-0.8%	0.196
•	US	Jan capacity utilisation .	81.9%	82.8%
	US	Feb Michigan sentiment pretin		89.31.5
	· US	Nov business inventores	0.2%	.Q.7% rev
•	UK -	Jan public spend'g borrowing req	-£4.5bn	21.04bn
During 1	he week	2		
	Japen	Jun trade but (customs cleared)	\$0.7bn	\$2.8bm
	Germany :	Dec retail seles, real**	-1.5%	1.0%
	Germany	Dec retail sales"†	-	2.0%
٠. ٠.	Germany	Jen wholesale price Indo	0.2%	0.2%

#### **ACROSS**

- Bound to get away before one's children (9)
   Of clear age but not a wrin-
- kie! (5) 9 Lawrence and not a singer (5) 10 Text you sound engineers get from the Bible? (9)
- 11 Just not expensive (10)
  12 Elegance from which I could benefit (4)
- 14 Loyalist Irishman embraces three people (7)
  15 Guides cried when turned out
- on a back street (7)
  17 Fruit supplier made love to cleaner in some way (7)
  19 Avoids flights (7)
- 20 Team returns holding live
- goat (4)

  22 Something a man may wear during retirement? (10)

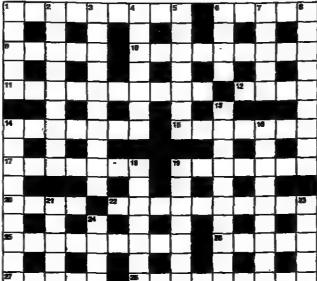
  25 Stress former husband's first to get additional rooms (9)

  26 I had backed nothing here (5)

  27 Leaflet of model farm vehicle is entermed (5)
- is returned (5) 28 Always immature yet never lacking in popularity (9)
- 1 Dismissed ruler is shot (5) 2 Devotee cast it adrift, which 3 Full stop put to one US state publication (10) publication (10)

  4 Brown isn't prepared to come round for the moment (7)

  5 Clothes went first in a jumble
- (7) 6 Ready with the rent last time 7 After party Hugh goes topless for money (5) 8 Drills ruler and cuts away
- outside (9)
  About a hundred pigs snore badly, requiring treatment 14 Well-known pair mention relocation (9)
- relocation (9)
  16 Charm engaged in bringing prisoner round (9)
  18 Determine to imprison one for killing a god (7)
  19 Two points he can possibly add to (7)
  21 Divorcee with skill reversed a
- 23 The point of growing things? 24 At last you can stand one (4)



#### MONDAY PRIZE CROSSWORD

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A prize of a Pelliam New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelliam venchers will be awarded. Solutions by Thursday February 22, marked Monday Crossworth \$991 on the suvelope, to the Financial Times, I Southwark Bridge, London SE1 981. Solution on Monday February 26. Please allow 25 days for

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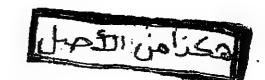
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#### MANAGEMENT

Bus Company were working unsuccessful - management buyout of their company in the early 1990s, they used the threat of a takeover by the Stagecoach bus group to impress upon staff the need for cost savings.

Stagecoach, which earlier this month became the first bus company to start running trains on the privatised rail network. has a fearsome reputation in the bus industry for aggressive competition. It also has the dubious honour of having been the subject of more Monopolies and Mergers Commission investigations than any other com-

The company has prospered in the cut-throat climate created by the deregu-lation of the bus industry outside London in the mid-1980s. Cut-price operators began running clapped out buses minutes ahead of rival services on the lucrative city centre routes, abandoning evening and weekend

With every prospect of Stagecoach become ing a significant operator of train services it could play an important part in determining the shape of both rail and bus services over the next decade. It has acquired South West Trains and announced its intention of bidding for many of the remaining 22 franchises to be sold.

Stagecoach was set up in 1980 by Brian Souter, an accountant and son of a bus conductor, and his sister Ann Gloag. It has grown into Britain's largest bus company with turnover of £340m and 13 per cent of the total market.

A stock market flotation in 1993 provided the Perth-based company with the means of financing a burst of acquisitions, allowing it to spread its tentacles from Inverness to Brighton. Despite Stagecoach's frequent clashes with the competition authorities there is no sign of the spending spree coming to an end. At the end of January it paid £41m for GM Buses South, the south Manchester bus operator.

This rapid expansion has proved controversial, even by the buccaneering standards of the deregulated bus industry. By exploiting a loophole in the regulations, Stagecoach swooped on Darlington, running a free bus service and forcing the town's municipal bus company into liquidation. Smaller bus companies complained to the Commons transport select committee last summer about Stagecoach's bullying tac-

Souter's response to these criticisms has been that only his competitors and the competition authorities have complained and not his customers, who have been given improved bus services. He points to more modern buses - the company has ordered 1,500 new buses in the last four years - and to more frequent services in many previously poorly served areas.

Stagecoach's aggressive approach makes sound commercial sense, according to Peter Huntley, a bus industry analyst with the TAS Partnership. "Your territory is your principal non-financial asset and the only way to keep control of it is to give the impression you will hold on to it vigorously and aggressively. Stagecoach has done just

Just how Stagecoach does operate is demonstrated by the experience of the East London Bus Company which, despite the efforts of its managers, succumbed to a Stagecoach bid in September 1994. Stagecoach also acquired the South East London and Kent bus company (SelKent) as part of the sell-off of the London bus companies.

Many savings had already been made as part of East London's preparations for pristaff, who had previously worked 36 hours a week, were working 42 hours a week for the same wages, and two bus garages had been closed - but Stagecoach pushed for more economies. Two lavers of supervisors were taken out at the company's remaining six garages leading to a further 60 job cuts and subsidiary activiThe aggressive bus group could play a key role in determining with another nearby Stagecoach company. to reach an optimum size of between £15mthe future shape of train services, says Charles Batchelor

## Stagecoach moves on to the rails



ties such as cleaning were contracted out. But what has surprised Roger Bowker. East London's managing director and his three fellow directors, who were all kept on by Stagecoach, was their new owner's willingness to invest. East London had been renting unsuitable offices in the centre of Ilford but was encouraged by Stagecoach to buy smaller, more efficient premises with a small shop front which sells tickets, souvenir T-shirts and mugs, and provides passenger information.

If the buy-out had succeeded it is unlikely that the company would have had the funds to spare to encouraged East London to invest in new vehicles. Twenty-seven new buses were bought last year and a further 26 are on order. Success in bidding for bus routes now depends on being able to offer new

"We didn't know anything about Stage-

coach before but we found that our philosophies were similar," says Bowker. Tough action on costs was accompanied by efforts to retain staff loyalty through a company pension scheme, a profit-sharing arrangement and a share scheme

Although a Stagecoach director, Brian Cox, is executive chairman of East London, the company's management has a great deal of freedom with day-to-day operations. Stagecoach does not create boards of directors for its individual subsidiaries. "We have less paperwork to deal with

than when we were under London Transfinance director. "Stagecoach is more manages bus companies in Hampshire, focused on results while LT would want to West and East Sussex and Kent. Stagecoach analyse why we had spent 3s. 6d." Stage-coach draws up its budget plans on three sheets of paper, whereas LT had a one-inch

Simplicity is the keynote of Stagecoach's

operations. "We started small so we don't have departments to handle matters such as the press or human resources," says Derek Scott, Stagecoach's financial director. Stagecoach's headquarters is a house in

Perth with a staff of 30. Ideally a company of Stagecoach's size should only need 10 people in head office, but the company manages its pensions administration and its insurance scheme in-house.

Managing the company's ever-expanding empire is achieved by creating a network of regional centres running several bus companies. East London in Ilford handles SelK-West and East Sussex and Kent. Stagecoach has 10 regional centres for 23 subsidiaries but can probably remove one or two of those, says Scott.

expanded, sometimes by swapping routes not suit a free spirit like Souter.

520m turnover and around 300 buses. "Bigger companies tend to become inefficient while smaller ones cannot spread their overheads far enough," says Scott.

The running costs of new acquisitions are reviewed within the first few weeks. Supply contracts can be renegotiated quite quickly. Stagecoach expects to achieve average savings of 1.5 per cent because of its superior purchasing power on items such as spare parts, tyres and engine components. In the 1980s when Stagecoach was a £5m turnover company it still managed to buy its diesel fuel more cheaply than London Transport, claims Scott, Further savings are achieved by standardising the specification of the new buses.

Stagecoach also has a keen eye for the value of city centre bus depots and office sites. It denies that this is asset-stripping, saying that the proceeds are invested in new bus fleets. It paid £2.2m for the Hampshire Bus company in 1987 but then sold a surplus depot in Southampton and bus operations accounting for 40 per cent of turnover for a total of £4.4m, retaining the profitable 60 per cent of the business.

The Ribble bus company was making a loss of £200,000 on turnover of £29m when it was bought by Stagecoach in 1989. Stagecoach sold some of its operations in Manchester, shedding £7m of turnover, and moved a further £4m of business into its own Cumbrian company. Ribble is now making profits of \$200,000 on turnover of £19m. says Scott.

With one of the largest costs of a bus company in its wages bill, Stagecoach makes a priority of reorganising wage struc-tures. Traditionally basic rates have been topped up with allowances, which makes payroll management very complex. Stagecoach aims to have a single hourly rate negotiated within individual companies or

sometimes garages.

At East London drivers work flexible shifts to increase the amount of the working day they spend driving, "It is not true that we pay less but we do make drivers work a full shift," says Scott. In most companies there is a profit-related element to

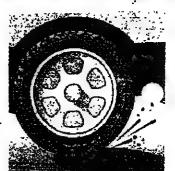
After the free-for-all in the unregulated regional bus markets, ownership of two London bus companies has given Stagecoach experience of operating in a more controlled market - experience which could prove valuable with its move into operating rail services. But a problem for a company like Stagecoach is that rail franchisees can only influence 40 per cent of their costs because the track, stations and rolling stock are owned by other companies in the rail industry, one stockbroking analyst points out. This puts the emphasis on reducing the

There will have to be job reductions at South West Trains although it will not be among drivers or people dealing with customers," says Scott. "It is the people who are out of sight whose functions have to be

This will not be easy. The rail unions are likely to prove a tougher proposition than unions in the bus industry, where companies such as East London had already negotiated many of the necessary changes

Stagecoach's ambition is to build a net-work of rail franchises so that, just as on the buses, costs can be shared and best practice spread throughout the group. But this will represent a considerable challenge. The franchises may come cheap - South West Trains cost a nominal £1 - but franchisees are required to put up capital equivalent to 15 per cent of turnover.

regulated London bus market, it will have to adjust to the far greater degree of supervision on the railways. The franchising director, the rail regulator and the safety authorities will all have a considerable say Individual companies are trimmed or in the way the business is run. This may



## **FAST TRACK**

imagine a day when a surgeon in Loudon will be able to operate on a patient in Kuala Lumpur, helped by a consultant in Moscow. The stuif of science fiction? Not if groups like Elekta have anything to do with it. The Swedish group is at the forefront of efforts to make robotic surgery a reality in a

few years' time. Elekta belongs to one of the most exciting spheres of the Swedish corporate firmament the medical equipment sector. its record of organic growth readily stands comparison with that of its peers. Turnover has risen steadily from SKr201m (£18.7m) five years ago to Kr699m in the year to April 1995. Pre-tax profits over the same period have jumped from SKr23m to SKr86m.

The group's best-known roduct, and the foundation of its early success, is the Leksell Gamma Knife. This devices see precisely targeted, high dose radiation to treat tumours and other disorders deep inside the brain, often beyond the reach of conventional surgery. The precision and level of concentration differs from normal radiation treatment. says the company, and means iliseased cells can be gradiented without damaging surrounding healthy tissue. A big advantage is that a hole does not have to be bored into the skull.

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Laurent Leksell, Elekta president, says the treatment is less traumatic than conventional surgery and hospital stays and convalescence periods are shorter.

But he acknowledges that the machines – costing \$3m (£2m) each – represent a sizeable investment. And he accepts that some surgeons still have some reservations about the gamma

knife methodology. Despite this, sales of gamma knives have grown, helping to give Elekta a worldwide business reach in a remarkably short time. The group is active in around 60 countries, with the US and Asia the most important markets. Apart from the gamma knife, which accounts for 60 per cent of revenues, Elekta specialises in stereotaxis (a system of fixed co-ordin, es that a surgeon to identify point in the brain and then reach it), surgical instruments and image guidance systems.

Leksell is the son of the group's founder, the late Lars Leksell, who started the group in 1972. Voting control remains with the family, although the group has been listed on the Stockholm Stock Exchange since

Leksell says the company will stress organic growth, backed by extensive collaborations with universities, clinical research institutes and other companies. Work on different image guidance tools, for example, has been developed together with Canada's ISG Technologies and the French group DeeMed.

The emphasis will remain on the brain and the central nervous system. Future growth will come not just from new products and new markets, says Leksell, but also from new applications for existing products. Indeed he hopes that one day the gamma knife can play a role in helping to eliminate disorders such as epilepsy, the cause of which is today invisible to traditional X-rays. "Think of the somma knife as a rifle," he says, "The better the binoculars we have the more accurately and effectively we can use it."

> Christopher **Brown-Humes**

1-11---

## Dressing up and dressing gown

s a newly fledged early bird, I have yet to grow used to starting work before dawn in my home office while the backyard coyotes are still yip-yipping in pursuit of

As may be imagined, I am often to be found hunched over this damned keyboard in pyjamas or less. All the more comforting, then, to hear that the relaxation of office dress codes is proceeding apace in the US. San Francisco's Levi Strauss has come up with the rivetting revelation that dress-down Friday has evolved into an everyday affair at 33 per cent of all US compa-

in 1992, when 20 per cent of companies allowed casual dress at all times, 37 per cent were sticking strictly to the suit, tie, skirt and blouse convention. That figure has now slid to 10 per cent.

from a phone poll of 504 human

pany has come up with the prospect that by the end of the decade, half of corporate America will be sloping around the office and plant in

Levi Strauss's discovery of a whole new market segment has so excited its marketing people that they have lost their command of the English language. "This growth would represent an additional 28m wearing occasions for casual clothing every week," it says. Reported merits include the

alleged perception among job-seekers that relaxed dress codes count as a perk, and managements' view that jeans and tennis shoes make for improved productivity. For the record, women seem more restrained than men, who tend to

favour khaki pants worn with polo shirts and leather shoes. Not a mention of pyjamas, but watch this Extrapolating on the gleanings

POSTCARD FROM Los Angeles

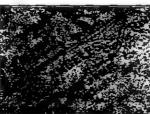
> lution at its known limits, a trip with no-frills Southwest Airlines is Its ground personnel, clad in a mixture of crumpled shorts, baggy trousers and faded beige/red polo

> > flight - impressed.

shirts may be a rag-bag, but they certainly put a brave face on the travails of the regional specialists. I encountered Fern, a gabby cabin person of a certain age, on a recent hop from Phoenix to LAX. Her devotion to communication - to my mind the most necessary skill in

Christopher Parkes

"If my ex-husband and his new lover would care to settle down at the back . . . " she announced to a



737-full of swivelling heads. "And since we'll be flying above 25ft, I'd like to tell yall something about the safety procedures on this here aircraft," she added, beaming at the rows of attentive faces.

After introducing "the Wright brothers" in the cockpit and completing her spiel with advice on putting "this here oxygen mask over your big mouths and noses", she had her passengers positively looking forward to Southwest's luxurious peanut luncheon. Later, as we lurched and clattered

across LAX's rutted runways, in moment when travellers turn silent as the engines blast into full

pilot's voice twanged over the cockpit intercom: "Whoooooaa there, big " I sneaked a look on the way out. He was wearing a uniform, can and all, just like a Los Angeles bus

One of the less-appreciated tendencles among southern Californians is a devotion to work far more pronounced than many other Americans are prepared to admit.
Life in Lalaland may be lived very much on the move, but it is not all lotus-to-go. This is the city where the concept of the car as an extension of the home was born and has snawned car accessories to facilitate eating and, increasingly, working on the go. Multiple power points routinely power all sorts of small appliances: even lap-top com-

I am grateful to a local newspaper correspondent for confirming that my recent sighting of a sedan

a laptop perched on his steering wheel," he writes. At least in southern California. changing dress habits may stem in part from the almost obsessive practically constant indulgence in physical recreation in search of what my local gym promotes as

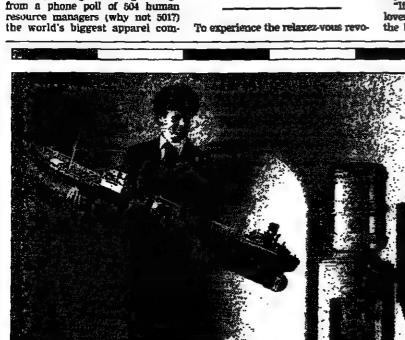
driven by a man simultaneously

engaged in typing was not a one-off.

doofus in a Honda pecking away at

"I was almost sideswiped by some

(It is not uncommon to observe women, striding about their business making exaggerated arm and hip movements, muttering the mantra: "I must improve my bust.") As a result, variants on all forms of track, field, gymnasium and even swimwear are now acceptable street clothing for every age group. Former "casual" gear looks positively smart, and the suits and skirts of yesteryear are more and more the exclusive preserve of hotel staff . . . and contrary teenagers.



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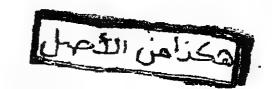
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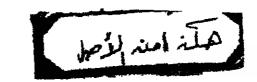
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#### BUSINESS EDUCATION

students consider which MBA course to study, Della Bradshaw examines how to make a choice

## Money clarifies masters maze

ness education is undoubtedly the maser of business administration. But a surge in demand for MBAs has resulted in a myriad of courses and many a confused, would-be student unable to decide which to choose

Thousands of students preparing for autumn courses are now faced with the question: Which is the best course for me? At the end of the day it is hard to escape the fact that the deciding factor is money.

The first question is 'Are

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you rich?' If the answer is 'yes' you should shoot for only two schools," believes David Norburn, director of the manage-ment school at Imperial College London. Those two are Stanford and Harvard, both two-year courses in the US, because they have the best alumni leverage and brand

But you need to be seriously rich. Two years of course fees, living expenses and the cost of not being employed will cost more than £100,000.

For those with more modest embitions money will still be decisive in the choice of a full-time, part-time, or distance learning course. But whatever

he most sought-after your choice - or that of your qualification in busi-- most advisers agree on some basic guidelines.

Look at the quality and reputation of the school. In the US, where league tables are a way of life, rankings are one way to do this. In the UK the Higher Education Funding Council for England has gone some way to rank schools by awarding them grades for their teaching.

The UK also has a system of accreditation implemented by the Association of MBAs (Amba). Only one third of UK MBA courses pass Amba scrutiny - from 31 institutions in all - but they include the best of full-time, part-time, and distance learning courses and are nationwide. In the US the American Assembly of Collegiate Schools of Business accredits courses but in Europe schools tend to thrive on reputation rather than accreditation.

After studying the school you should study the pro-gramme, says Bob Morgan, head of business strategy at the University of North London. "There seems to be some notion that there is a standard programme, I think that's

somewhat old-fashioned." He recommends that stuFOR HEAVEN'S SAKE TRY AND KEEP OFF THE SUBJECT OF HLS MBA

dents with business experience should ask themselves whether they want a course which will give them skills in general management or a specialist function. Some MBAs are tailored for specific professions designers, marketing people or those from financial services.

more focused masters degree

instead of a general MBA as a result, says Tim Sutton, visiting professor of accounting at

less at the University of Navarro, in Spain. He points to the masters degree in finance at London Business School and the masters in design management at You may decide to study a SDA Boconni in Milan as good

opportunity of studying abroad to learn a new language, "At the moment Mandarin is very much in demand," reports Wilbelm Brunner, of the Vienna Economic and Business Uni-

The next move should be to visit the campus during termtime, even if the campus is overseas. Go to one of the open evenings that the business schools hold and then sit in on one of the classes.

You should talk to the academics, but more importantly you should talk to the students. Particularly if you are planning to work and study simultaneously, practising students will provide the best

guide to the workload.

And you should assess the culture of the school, says Morgan, is the atmosphere competitive or co-operative, and which do you thrive in?

With 80 per cent of students in the UK now opting to study while working, there are part-time courses which require regular attendance for lectures - often once a week or over the weekend. Or there are open learning programmes which often require students to attend once a month, while studying largely at home. Dislargely correspondence courses, although they will require some attendance - particularly at exam time.

Although convenient, such courses miss out on the debate which is an inherent factor of a full-time or part-time course not to mention the network of graduates, or alumni.

Some students with the time and the money - and co-opera-tive employers - even travel overseas to study on part-time Studying abroad can have

drawbacks as well as benefits. As one academic jokes, you should only study in a country in which you may one day want to work. "When your company wants

to expand overseas the person nel department will look through their files for someone to send there. You'll be picked out and on the next plane

Suggested reading: The ABS Directory of Business Schools (Butterworth Heinemann); The Amba Guide to Business Schools (FT Pitman Publishing); The MBA Career Guide (MBA Career Guide); Which MBA? (Addison-Wesley Pub-

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## **NEWS FROM**

Baubles, bangles and bright, shiny degrees

If your ambition in life is to slip into sophisticated clothes, drive a powerful car and sip expensive champagne then the course for you could be the MRA programme specialising in luxury brand management in

Paris - where else? The 13-month course from the Essec Graduate School of Management has been designed in conjunction with companies such as jewellers Cartier, champagne producers Moët et Chandon and a bost of fragrance companies.

The companies themselves participate in the project work of the 20 students on the course. Essec: France, 1 34 43 30 23.

Managing to make money from property

British business schools are emulating their American peers by introducing an increasing number of masters courses which specialise in a specific topic. The latest is Umist, in

Manchester, which has launched an MSc in property investment and development The one-year course can be

studied on a full-time or part-time basis. Umist: UK, (0)161 200 4218.

Civil rights leader honoured at Wharton

Civil rights leader Whitney M Young has become the first African-American to have a faculty position named in his honour. The junior professorship at the Wharton school at the University of Pennsylvania has been created as a result of fundraising by alumni and students and corporate and charity donations. Wharton: US, 215 898 5000.

Seedcorn software companies vulnerable

has improved in performance but bankruptcies in the industry remain four times the national average, according to the latest research from Templeton College, Oxford, Sales by per cent in 1994 after dipping disastrously in the early 1990s and companies in the ector have increased staff. Nevertheless, small software firms remain vulnerable. Templeton: UK. (0)1865 735400

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#### BUSINESS TRAVEL

#### Travel groups on show

More than 120 travel companies will show their wares at the Business Travel 96 Exhibition, which runs from Wednesday to Friday this week at London's Business Design Centre in Islington, writes Scheherazade Daneshkhu. The: exhibition is aimed at regular travellers as well as buyers of corporate travel. Exhibitors include airlines, hotel groups, car hire companies and corporate travel agents. Seminars will cover a range of topics, including planning and arranging business travel, taking advantage of global partnerships, negotiating with suppliers and managing the hidden costs of travel. There

are also seminars on how to deal with jet lag and the opportunities opened up by the Channel tunnel rait link between England and France.

Interactive Europe Berlitz Publishing Company, which produces pocket travel guides and phrase books, has issued two CD-Roms which it describes as the first interactive business travel, language and culture guides of their

The first two Berlitz Executive Travel Guides cover northern and eastern Europe, and southern and western Europe. They have been released by Allegro New

Media of the US, which develops histinges software The CD-Roms include essential foreign language words and phrases, travel information, maps, hotel and restaurant tips. Each guide costs £129.95.

Black market warning American Airlines has warneti that parts of a Boeing 757 which crashed in the mountains of Colombia two months ago may be for sale on the black market, reports Associated Press, American has written to airlines that fly Boeing 757s and Boeing 767s, said John Hotard, a

Worth-based carrier, it also

included a 14-page list of possible missing parts. These may include both engines, pieces of the landing gear, tollets, emergency door slides and high-pressure turbine

engine blades.

crashed jet cost about \$2m (£1.3m) each new and could fetch at least \$1m on the used-paits market. Parts are disassembled and refurbished to look like new, and are sold with fraudulent paperwork.

Engines like those on the

Flight 965 from Miami crashed last December 20 in the mountains near Cali, killing 160 people. Four people survived. The aircraft was ripped into thousands of pieces, but it hit the ground nose-up, suggesting some of.

Its heaviest and most important pieces of equipment probably survived.

Concorde record A British Airways supersonic Concorde made use of a 175mph tailwind to fly from New York to London in 2 hours, 52 minutes, 59 seconds last week, clipping 90 seconds off its own record, BA said that Capt Leslie Scott piloted the aircraft, carrying 30 ngers, three flight crew

and six cabin staff, from

minutes ahead of schedule.

John F Kennedy to

Heathrow, arriving 40

its average speed, from

exceeded 1,250mph. Concorde's previous' trans-Atlantic record was set in April 1990.

I to retire the total and the second of the

Malaysia flights Malaysia is asking for daily flights to Johannesburg and Cape Town in South Africa, transport minister Ling Liong Sik said last week. He said Malaysia Airlines now flies three times a week to those places, but was asking for four more flights per week over the next few years. He was speaking after talks with South, Africa's Civil Aviation Authority. Since 1994, Malaysia's trade with South Africa has risen from \$14m (29.3m) to \$306m

Likely weather in the leading business centres Wed Thur Mos Tue Hong Kong 21 22 22 21 20 20 Frankfurt \$ 8 6 8 8 3 7 2 22 0 m 25 25 21 21 18 25 17 27 21 @ 19 & & 5 A 5 & 6

After close examination of the UK railways, Peter Marsh offers his guide to the best and worst of the system

#### ail travel in Britain is get-ting better. This may seem a controversial statement at a time of scary stories of what British Rail will look like after privatisation. But considering the increasingly crowded motorways, the rail network offers business travellers a pleasant way of getting around - particularly if they stick to the generally reliable InterCity trains and start or finish journeys

My confidence about the state of British Rail comes after 70-odd train journeys in recent months around the UK, covering about 5,000 miles. On these journeys I have experienced only three delays of more than a few minutes - a near-Germanic performance, and far better than when I made a correspond-

ing sequence of trips a decade ago. "Awayday" trips by rail will also enable anyone keen to invest in Railtrack - the government-owned entity in charge of the UK's rail stations and track, shares in which go on sale in May - to see what is on offer. Passenger trains are run by 25 separate operating companies of which two are in private-sector hands, and the rest are due to follow suit.

On a business tour around the network, two publications will be useful. Inside UK Enterprise is a manual set out like a tourist brochure and produced in a Department of Trade and Industry-backed initiative to highlight UK companies with innovative management or production processes.

Crammed with colour photos and chatty descriptions, the book gives you lots of ideas about whom to drop in on. All 100 companies (most. but not all, are manufacturers) in the guide offer organised tours,

## The joys of networking

but you must book in advance. The choices are quite substantial: you can call on a binliner maker in Biggleswade (roughly an hour from London's King's Cross); a design consultancy in Warwick (a pleasant station on the Chilterns' route out of London's Marylebone); a shoe manufacturer in Norwich (once home of four railway stations, now reduced to one); and Britain's biggest mugmaker in Stoke-on-Trent.

This company is probably worth a visit if only to savour Stoke-on-Trent station, with its Jacobeanstyle frontage, an exquisite war memorial and the statue of Josiah Wedgwood immediately outside. You could even stay in the North Staffordshire Hotel opposite the station, whose architectural features blend almost exactly with those of the rall centre.

You will read about Stoke-on-Trent station in what should be your second reference work, Railway Stations of Britain. This is a superior travel guide to 75 of the most interesting stations, complete with full details of track layouts packed with historical and architectural nuggets.

Where on the rall network should you start? My vote for the most scenic tourney out of London is from Paddington to Worcester. You even have a good excuse to go there, for in Worcester you will find Yamazaki Machinery, a big Japanese-owned maker of machine tools which, according to Inside UK Enterprise, is anxious to pass on hints to its visitors of "automated unmanned machining and sheet

tools being handled at any time". On the journey you will find especially after Oxford - that it is virtually impossible to tear your eyes from the rolling countryside along the route. The sense of relaxation is exactly conveyed by saying out loud the names of some of the places that lie close to the the railway line: Oddington, Cow Honeybourne, Wyre Piddle, Drakes Broughton, Inkberrow, White Ladies Aston, Upton Snodsbury, Flyford Flavell, Childswickham, Dumbleton and Adlestrop.

One problem about the route is BR's choice of rolling stock. The new "turbo trains" on this section of the railways are not particularly comfortable, and are blemished by a fairly minor but irritating design flaw: the electric hand-dryers in the toilets are woefully underpowered and next to useless.

It is a pity that Worcester's Foregate Street station (where you get off for the city centre) is nearderelict, earning my rebuke as one of Britain's three worst railway sta-

The other two are Telford, set in a surreal, drearily landscaped waste-land with few buildings and virtually no signs to say where you are, and with vandalised toilet doors; and Birmingham New Street, a dark and dismal subterranean chamber which is a desperately poor welcome to Britain's second city.

For a much more cheerful experience, take the train out of London's St Pancras (by a long chalk the capital's best station), and head for



Derby, where the station is big. open and friendly, and just a little the worse for wear.

You could also visit Doncaster station for one of the best railway murals: a series of pictures illustrating The Ages of the Train which decorates one of the station subways, and was devised by unemployed youngsters. Coventry's light and airy station is one of the better modern ones, while for terracotta splendour it is hard to beat the Midlands twins of Nottingham and Leicester, built within a few years of each other at the turn of the

If you can, find an excuse to visit

Letchworth station in Hertfordshire where Steve Newland - the station manager, although in the new BR privatisation jargon he is more properly known as a "customer services officer" - is shortly to start the process of spelling the station's name in flowers in one of his five or so "sponsored flower beds". Showing commendable enterprise, Newland has persuaded several local companies to give £100 a year to pay for the plants.

ncidentally, the reason that so many Yorkshire stations look much better than their counterparts elsewhere is that they get plants in large quantities from Poppleton Nurseries near York, a little-known part of the BR empire, now part of its "northern infrastructure division" but whose fate, postprivatisation, is unknown.

Graham Warner, who runs the nursery, the only one owned by BR and which has existed since 1941, specialises in fuchsias and geraniums. Many of his flowers end up at Skipton station near Leeds, which I judge to be the rail station where I would least mind being marooned.

Manager Kevin Vince takes immense pride in making the station look attractive. In turn, Skip ton is full of pleasant pubs and boasts a splendid castle. For good measure, the town has a large greeting cards manufacturer. And there is more: just down the road is one of Britain's more impressive car

Inside UK Enterprise. Status Meet ings, Pestival Hall, Petersfield, Hampshire GU31 4JW. Rathoau Stations of Britain, by Geoffrey Body. Patrick Stephens, Wellingborough, Northants NN8 2RQ. £14.99.

## Spanish<sup>\*</sup> tunnel rail link proposed

Perel et House

Spain and Morocco are to seek backing from the European Union for the construction of a rail tunnel linking Europe and north Africa under the strait of Gibraltar.

Madrid and Rabat also agreed to strengthen co-operation in fighting organised crime, terrorism, drug trafficking and illegal immigration.
The news came at the end of two-day visit to Morocco by Spain's prime minister. Felipe Gonzalez. The two countries seem almost blithely unimpressed by the financial difficulties - principally a mountain of debt - banging over the operators of the rail tunnel between England and France,

under the English channel. The 24.8-mile tunnel would link the northern Moroccan city of Tangler with the Spanish town of Tarifa. The two countries agreed "to continue contacts with the EU in order to acquire its institutional and financial participation in the

The idea of building a tunnel under the stratt of Gibraltar is a venerable one, though little progress has been made over the years. Eurotunnel, which operates the UK-France rail link, reported an improvement in business last month, and says it expects to see a 50 per cent increase from last year in the number of trucks it carries through the tunnel.

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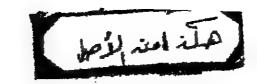
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## V-chip to block the TV nasties

explicit or violent television programmes - must in future be installed in all TV sets sold in the US, under a law signed by President Bill Clinton last

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The "electronic censor" is at the heart of heated debate between civil libertarians and those who believe that sex and violence on TV encourages teenage pregnancies and juve-

The measure to make the y chin mandatory, as well as other provisions that make it illegal to distribute "indecent" material over the Internet and other computer networks, was appended to telecommunications legislation simed primarily at deregulating the US market for telephone and cable television services.
The "anti-smut" measures

won broad political support amid rising public concerns about TV violence and pornography on the Internet. Yet the spectre of government-regu-lated censorship of traditional and electronic media is encountering growing opposi-

Already , the American Civil Liberties Union has filed legal challenges to the Internet restrictions, which would slap figes of up to \$250,000 and jaz' terms of up to two years on anyone found guilty of distributing "indecent" materials on the Internet that could be accessed by anyone under the age of 18.

At the weekend, much of the Internet's World Wide Web was blacked out in a protest at the new law. The protest was mounted by Internet oriented companies such as Netscape, and by libertarian groups and individuals.

The cyberporn law is an unconstitutional restriction on free speech, the ACLU charges. Although the new law purports to protect minors, it will in effect place severe restrictions on all users of the internet, the group maintains.

ide over the year. For example, critics say the entich operates la law would prevent online dislink reported a play of famous works of art in business ha such as the roof of the Sistine · Direction to 来) ease from last year Chapel, electronic publication of books including the King or process it cames James Bible, and use of the

The "V-chip" - a device that can be used to block the reception of sexually the US is encountering opposition, says Louise Kehoe the US is encountering opposition, says Louise Kehoe



mation about Aids or breast cencer. It is already a crime, free-speech advocates say, to use crude words in an electronic mail message sent over the Internet.

Yet in many ways the new legislation simply extends existing "decency" laws to cyberspace. It has long been a federal offence, for example, to use obscene language on the telephone, although the law is rarely enforced.

One significant difference in the new law, however, is that companies which provide Internet access services as well as commercial online information services, may now be held liable for the distribution of "indecent" material on their

To protect themselves from legal liability, these companies may now be forced to police bulletin boards and Internet pages in search of anything that might be considered offen-

Even Vice-President Al Gore. the Clinton administration's chief advocate of telecommunications reform legislation, appears to have reservations about the new cyberporn law. "We have agreed to let it stand or fall according to the judgment of the courts," he said last week.

Other methods of screening

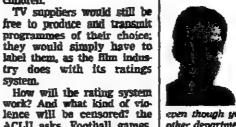
net are already available, Gore noted. These include software that automatically blocks access to X-rated internet sites and services that "rate" Internet sites according to their suitability for young computer

The Clinton administration has no such qualms, however, about the V-chip legislation, which it believes will enable parents to prevent their children seeing inappropriate

The new law gives broadcast-ers and cable TV companies one year to develop a rating system for TV programmes. These programme ratings would be transmitted - over

Tim Jackson

## This bug in your PC is a smart cookie



How will the rating system work? And what kind of violence will be censored? the ACLU asks. Football games, war movies, news reports? This is not a voluntary system. The legislation stipulates that if the TV industry fails to create an effective rating system, the Federal Communications Commission will take on the role of

US TV companies have so far proved reticent on the issue of the V-chip. The industry has generally been opposed to a government-mandated rating system, although there had been efforts under way to create a voluntary rating system and plans to test-market V-chip

the air or via cable - to the V-chip in TV sets. Viewers

could, if they wish, activate the chip to block all programmes they deem unsuitable for

These efforts have proved too little, too late. In Canada, where the idea of the V-chip originated, several cable TV companies are already offering V-chips to their subscribers.

With the V-chip law now in place, US TV networks and cable companies are under pressure to respond, but it is not yet clear whether they will raise legal challenges to the new law. The industry risks a backlash of public opinion if it opposes the law, but fears the loss of advertising revenues on "X-rated" programmes if it complies, industry analysts

the V-chip legislation will achieve the goals of its sup-porters by limiting TV sex and violence. Critics of the legislation say that it may give TV companies an excuse to broadcast more racy or violent programmes once the rating system is in place.

Whether or not there are legal challenges to delay implementation of the V-chip law, it is likely to be many years before "clean TV" is widely available, because it will require the replacement of millions of TV sets and cable TV decoder boxes.

in-store comhave recorded your repeated visits

to our fruit and pegetable counter. Yer other departments - I hope last

month's kid gloves came in handy during the cold snap! we see that you have never bought fresh produce from us. Three times last week, you stood in front of the fresh mangoes, but never took the plange. So I'm writing to let uou know about our upcoming

has ever received such a letter. Camera technology is many years from being able to follow a single person around a department store, let aione tally that person's movements against sales records.

As far as I know, no shopper

Yet these methods of keeping tabs on the behaviour of customers are possible today in cyberspace. Technology is already in place - and ready to be put to use on the World Wide Web of the Internet that will allow Web site owners to gather an alarming range of information on the people who look at their Web ages from PCs at home.

Most Internet users are not aware that such possibilities exist. They believe, correctly, that when they surf the Web, the information sent from their PC to the Web site is an IP address - a string of digits that specify the Internet location of the computer they are logging in from. Tracking down the customer from that information alone is an inexact science, since a single IP address can be shared by hundreds of people working at a company, or thousands of people using an online service.

But the leading software used on the Web contains a little-known wrinkle that increases the power of companies to find out who their customers are and what they are up to. It allows companies to track which Web pages an individual looks at, when, for how

long, and in what order. That information can be tallied against information the customer provides of his own free will - for instance, when he "registers" for membership

by giving a name and e-mail address, or provides a credit card number and a address when ordering a delivery - to produce a comprehensive record of individual behaviour. Most extraordinary of all,

this information can be stored on customers' own PCs with-out their knowledge. It can be kept in a form so that only the company that collected the information can benefit from it. And when the customer connects to the Web site later, the site can silently interrogate his PC and pick up the informa-

The formal name for the objects where the information is stored is "persistent clientstate hypertext transfer protocol cookies". Those who dismiss this as an early April Fool joke can find the specification describing the cookies by using the search engine on Netscape Communications' home page.

A technical note written in July 1995 describes the specification as preliminary, and warns users to treat it with caution. But the facility has been fully operational on Netscape browser software since

Each cookie, or nugget of information, can be up to four kilobytes and each server is allowed to deposit 20 cookies on every client computer. The total of 80 kilobytes that this represents is roughly equivalent to 18 articles the length of this one. But this limit can be circumvented by the simple device of having a number of different servers inside the company. As a result, a company can theoretically store 1.2 megabytes of information twice the length of Persuasion

- on each customer PC. As a group, those who inhabit the online world tend to be watchful of their privacy. When they became aware last year that MSN, Microsoft's online service, was able to download a list of programs on customers' PCs as they logged

in from home or work, there was such a fuss that the company was forced into a hasty damage-control exercise to reassure the world that its

intentions were honourable. Client-state cookies are in a slightly different category. They do not allow one company to snoop on another, and they gather only information about consumers' behaviour at a single company's Web site, or information that customers themselves volunteer.

But many PC users may take a dim view of Netscape's fail-ure to draw their attention to the fact that their behaviour may be tracked in this way. Moreover, there appears to be only one way to disable the facility: by manually amending or deleting the COOKIE.TXT

file containing all the cookies. Netscape describes the system as "a powerful new tool which enables a host of new types of applications to be writ-ten for Web-based environments", and of course the company is right. Cookies allow customers to do repeat business with companies without ness with companies without having to retype their details. There are plenty of other very useful purposes to which the cookies could be put in future. Yet the tale of these cookies

is an illustration of the possibilities that Internet marketing opens up. In the old days, plac-ing an advertisement was like firing a blunderbuss: remember the old quip that half the money spent on advertising was wasted, but that no-one knew which half. Today, technology has created silver bul-lets that allow companies to

target people individually. in the long term, this is a good thing, for it will tailor advertising more closely to what consumers want. But at stake is the issue of privacy which needs to be debated.

The only consolation is that breaches of privacy using this technology are unlikely to have any life-and-death consequences. The worst thing most companies will do, after all, is try to sell you something.

Tim Jackson can be reached at Tim.Jackson@pobox.com

## Sex, lies and the Internet

t the beginning of this month the US media giggled when John Goy-dan became the first person to cite his sponse's online affair with a paramour named The Weasel as grounds for divorce. The story, while amusing, has disturb-

ing implications, because the Internet has become a powerful social influence in today's society.
Indeed, the psychological impact of the Internet has not been fully digested, according to Sherry Turkle, a psychology professor at the Massachusetts institute of Technology. The adultery case seems funny, but it illustrates a dramatic social change," she says, "Cyberspace is chang-ing the way people relate to each other,

and that has fremendous implications." Turkle has just written a book on the subject called The Second Self, based on bundreds of psychoanalytic interviews with cybersurfers. For Net users, there is no clear definition between spaces in which people are playing roles and spaces in which people are truly socialising, she says. The Net is a weekend parlour game to some, but deadly serious to others.

She describes the devastation of one cybersurfer who pursued someone called Fabulous Hot Babe for months, only to discover that Babe was really an 83-yearold man living in a nursing home in

"In cyberspace, it's not clear when you have to be who you say you are," says

Identification is even more crucial now that the Internet is becoming commercialised. Positive identification may not be important to someone wanting to play out a casual fantasy, it is vital, however, to companies seiling products over the wires. A 15-year-old boy, for instance, can pose as a 30-year-old man to purchase beer and tredit cards can be misused - the Net

#### Victoria Griffith finds cyberspace socialising is on the increase

relies on users to use their own names. Net users cannot even be sure they are talking to a real person - increasingly machines are used to do the talking, Turkle says. As an example, she cites cybersurfers' interaction with "bots", characters that are programmed to behave in certain ways on the Net. Bots work by recognising certain words and churning out automatic responses. A primitive bot programme might respond to the statement "I am sad today" with "Why are you

But Julia, the creation of Michael Mauldin of Carnegie Mellon University and one of the most sophisticated bots on the Net, fools many into thinking she is human. turning out many clever responses. Consider the following typed Internet

User Brandi: Brandi bites Julia. Bot Julia: Julia shuns all vermin like

Brandi Turkle says she was particularly sur-prised to find in her research that Internet users were willing to talk to characters even after realising they were programmed characters. She cites one man who continued to consult a computerised psychoanalyst, even though the programme's responses were inappropriate. In one exchange Roger told the computer; "[My wife] does not make me feel loved". The computer responded: "It must be nice to be so loved." Roger continued to consult the programme because he found the exchanges helped him deal with his prob-

lems, Turkle says. She believes that the next generation

will spend even more time socialising with computers, and recalls a group of children arguing about whether Merlin, the computer toy they were playing, could "cheat". "They were attributing human characteristics to the computer," Turkle

ays. She believes cyberspace can have a positive as well as a negative influence on its users - citing, for example, patients who have used role playing to overcome fears. "One man was terribly shy in person, yet online he was popular and outgoing. Eventually, his social life on the internet

began to give him more confidence in his face to face encounters." Turkle dismisses criticisms that the Internet can be addictive and says the amount of time spent on the Net does not

determine whether someone is having a positive or negative experience.
"I know people who spend all day on the telephone, but they are not considered telephone addicts," she says. She also believes that adult cybersex on the Net can be helpful, as long as the rules are clear on what is fantasy and what is real-

ity. She says people may find the Net disturbing and enaggerate its benefits and shortcomings because they have so little experience in dealing with it. She is also concerned about US efforts to give public schools access to the Net and

about hype over pornography. "The Internet can't save our children's education," she says. "It's neither saviour nor demon. It all depends on how it's

She is optimistic, though, that society will develop a healthier view of the Net. "People will start to follow cartain rules of social conduct, and then the Net will just be considered another tool for interaction. But it may take a while to come to grips with its impact,"

tion and graduate school of business (http://mba-grad.ta-

Banking Report. An interesting list, and well summarised.

link.net/ knute/lir.htm) • The American Marketing Association's Web site (www.ama.org/gem) is well worth a browse for a steer on the latest trends in marketing

Jaurual. • Texas A&M University's

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Cyber sightings

• The Swiss Investment Marketplace (www.jml.ch[jml]) has some good information for private investors, even if its sole function seems to be to make you feel guilty for not hedging your entire partfolio in Swiss francs.

• Fundscape (http://fundscape.com) is a commercial service offering investors the chance to track the performance of mutual funds. Interesting struff.

Hard@Work (unow hardatwork.com) describes itself as an "online water cooler" dedicated to exploring issues cound the modern corpora-tion. "The information headwants to do a better job," it scribe central banks (your college of business administra-

says. That's assuming you have time to read it, of

COLLEGE El Teimpo, one of the leading newspapers in Colombia (www.eltiempo.com) has put up a nicely laid out site in

• The Israeli Investor Network (www.god.com/iin/) has company listings and an online version of American-Israel Business Magazine and the Giza Investment Letter. Might be useful if you're doing business in the region. Meanwhile, the Mizrahi Bank

(unow mizrahi.co.il) has a site in Hebrew with information on Israeli capital markets. The Center for the Study of Central Banks at New York University's law school runs Central Bank Bulletin, a mailing list focusing on the activities of central banks around the world. To subscribe, send the following message (in the body, not the header): sub-

first name] [your last name] to the following e-mail address: listproof lists.ngu.edu

• The top 10 financial services Web sites of 1995 are available through Net Banker (www.netbanker.com). the Internet supplement to Online

 A site that advertises itself by saying it "includes photos and many links to other alpaca and llama sites" has to be worth a look, no? Ah well. (hitp:home.earth-

strategy. You can join the association or just read a sample issue of Marketing News Online, the members'

mu.edu) will be happy to give prospective students details of courses at its atraightforward · Finally, for US residents, if

you're pining for Caramel deLites or Lemon Pastry Cremes, look no further. It's Girl Scout Cookle time again, and you can order through http://cookies.openmarlost.com/GSstore Strangely, the URL was left

off last week's mention of the Global Access site, For the record, it is www.glblacsteve@mcgook\_deman.co.uk



## Standing up for Bellini

he man who is building the highest tower in Moscow and masterminding the biggest post-war building project in Milan is in London. He brings with him a quality of building that is purely Italian, a certain

instinct for quality.

Mario Bellini is 60 but his achievements are such that it seems he has been around for much longer. Although he is an architect, he was best known for a long time as the designer for the office machines of Olivetti: creator of that refined look for the business machine that preceded the now ubiquitous. Japanese. efficient anonymity.

Contemporary Italian architecture is so much better than most because the best Italian architects and designers (even the designers of clothes) have complete respect for the remarkable past of their country. This appreciation of the glories around them does not have the effect it so often has in Britain, of encouraging poor copies of past styles that are weak, safe and often

In Italy, architects like Bellini, Portoghesi, Botta and Aulenti are all producing unique and splendid new buildings. Bellini has achieved his Colin Amery on an architect who could make a motorway service station memorable

reputation as much outside clear sense of the work. But Italy as within, and he has the added distinction of being a great exhibition designer. He created one of the finest architectural exhibitions. The Renaissance from Brunelleschi to Michelangelo - The Representation of Architecture, which began in the Palazzo Grassi in Venice in 1994 and went last year to Paris and

Bellini's achievement was not just to make the great renaissance models look beautiful and dramatic, but to explain how architectural ideas move from drawings to buildings.

At the Royal Institute of British Architects a stunning exhibition of Bellini's work runs until the end of April. The show is designed by Bellini and the display technique is partly based on the renaisance exhibition and is dramatically lit.

Sixteen large models, at exactly the right height, dominate the room, and giant slides continuously change to give a

afternoon with Smith at his

how much better it would have been to be able to sit, relax and contemplate these images. Was it old architectural arrogance that refused to allow chairs?

The Bellini buildings I know best are the Tokyo design centre and the Villa Erba international congress and exhibition centre at Cernobblo on Lake Como. Both create what another critic has called urban islands. The Tokyo centre was finished in 1992 and embraces the major principles of this architect's work. It stands in the wildly cha-

where it acts as a beacon of order and restraint. The architect had to cope with the steen topography of this part of Tokyo, and to build around an existing building whose owner would not sell. These challenges forced the design to be intricate and visually exciting. Bellini has brought to Tokyo the idea of a plain street front of an Italian palazzo with an

internal steep stair and a rear

courtyard that is almost sur-

otic Sakurada Dori district,

At the top of the steep staircase that lures you in from the street is an equestrian sculpture by Mimmo Paladino. This splendid tall horse is seen between pierced travertine walls against a background of trees. The back of the building is a series of terraces enlivened by row upon row of huge flowerpots filled with scarlet gera-

Tokyo is full of some of the best work of contemporary architects of all countries. Bel lini's intricate, careful and original design is exactly what changing cities need. in Italy, Bellini's exhibition

centre in the grounds of the Villa Erba is a remarkable synthesis of past and present. In plan, the three wings radiating from the circular central build ing are similar to the ensembles of garden buildings to be seen at Potsdam, or around the more remote palaces of St Petersburg. But the chief thing that has

water - a conceit that works These two gems of Bellini's work are about to be joined by

the extensive, 800m-long, new

In the hands of Bellini, drama and emotional power are achieved in the new exhibition buildings for the Milan trade fair exhibition buildings for the Milan trade fair. It is a massive influenced its design is the formal scheme that sensibly incorporates car parking in the proximity of the lake and the curved lines of trees. The cenplanning and stupendous tral pavilion is itself set on planting of pyramid-shaped hornbeam trees. The great skeletal portico that marks the north-western end of the building is splendidly деф

scaled and likely to become

the new symbol of the Milan

In a city where design and fashion fairs influence the whole world, this is an important new structure. Inevitably, it has millennial overtones, and appears to elevate the Greek temple to material heights to which it never aspired. I would have thought it almost impossible to give some of the late 20th century uses of buildings any emotional impact. The international trade fair, the Japanese leisure park, the new hotel for Moscow - in Bellini's hands, all have achieved drama and emotional power.

I do not know of another architect who could make a

motorway service station into a memorable architectural experience. It takes an Italian and it takes Bellini.

The Bellini expo is chiefly sponsored by Fiera Milano, Silicon Graphics, Al Rostramani Group, Smeg and Guiliani Architecture Centre, 66 Port land Place, London W1.

eason is the poor performance

of the England team. "It's not just a had patch," he insists. "I

don't think we have the envi-

ronment that allows the best

players to develop their full

potential. Quite simply, they

all play too much in the

But Smith has great faith in

England's captain, Mike Ather-

ton. "He's young, stubborn and

cussed, and I hope he's around

for a long time. I'd be thrilled

for him if we could unearth a

Botham or a Truman - prefera-

bly both - who could give the

England attack a cutting



splendid head of iron-grey hair seems to bave a life of its own. Some cricket writers have found him spiky. The wonderful phrase No comment ... but don't quote me" is often ascribed to Smith, who is retiring as chief executive of the Test and County Cricket Board, But he

shrugs it off as apocryphal. Christopher Martin Jenkins, doyen of English cricket writers, described him in a valedictory newspaper article as having "a paranoia about secrecy Smith snorts when asked if that was fair comment.

"CMJ? A very kind piece in most respects." he chuckles, conceding that, in his early years as operational head of the English game, he was too distant and impatient with the

After spending most of an

## legacy of cricket's bristling reformer A.C. Smith, padding up for the last time, talks to Keith Wheatley

Lord's HQ in London, it was Smith still bristles when he hard not to be impressed by recalls the 18 hours of horse the subtlety, discretion and diplomacy required to lead this most federal of games, for trading at Lord's which led, indirectly, to the current imbroglio with Australia and cricket, whether domestic or the West Indies refusing, on international, will not be ordered from on high. It has no security grounds, to play matches in Sri Lanka following equivalent to Fifa or the IAAF. To a certain extent, lack of

the bomb blast in Colombo. The price of England's mansuch a structure underlies the difficulties of cricket's World oeuvre in 1993 was a fairly rad-Cup, which opens this week in ical overhaul of the ICC, and India, Pakistan and Sri Lanka. that should begin to bear fruit by the time of the next World Three years ago, Smith presented the International Cricket Cup, to be held in England. Domestically, Smith leaves

Council with an unanswerable with the game in impressively case for it to be held in England. Australia, New Zeabetter shape than when he land, the West Indies and arrived. A decade ago, big South Africa were in favour clubs like Warwickshire, where and the decision appeared to Smith had been captain were be in the bag until the Indo-Pahealthy enough, but at the margin the outlook was grim. kistan bidders started to lobby "Crowds are up, revenues up Zimbabwe and the non-Test [and] we have blue-chip spon-

sors who seem happy to stay with us for the long haul," he says. This year the TCCB will distribute £21m to the counties and grass-roots game in Britain. When he arrived, the comparable figure was just over Lam Television has made the dif-

ference. Cricket shares itself skilfully between terrestial and satellite channels. Indeed, the sports television rights debate turns Smith's bristles to prickles, producing undiplomatic words like "aggrieved" and 'annoyed" over the House of Lords amendment to extend so-called protection of certain events from subscription and pay-per-view channels.

"Since competition has appeared, television has been good to us. We're friendly enough with the BBC but the relationship is much more healthy since they realised market forces had to apply." It rankles that a man who has devoted his life to playing or administering cricket should be told by politicians he needs protecting from the temptation to sell the game's devoted audience down the river for a few extra millions.

"We have optimised rather than maximised our assets. We perhaps could have got more but we have sold them carefully. It one sense, it isn't very efficient to have our international cricket at six Test grounds but we like to provide cricket to its public. The game belongs to the community.

What, then, underlies the disquiet at Westminster? "It's election year, for heaven's

foreshortening the political timetable. "We're spending an enormous amount of time and money lobbying on this and thinking much more long-term than most politicians."

After our meeting Smith went off to sign letters to 120 MPs known to be interested in cricket. One in particular, with an office in Downing Street, was due a personal visit.

Besides the World Cup, the other notable setback for Smith was the reluctance of the counties towards accepting an umbrella body for the whole sport. By now, the TCCB should have become the English Cricket Board, with responsibility for every aspect of the game.

Last summer, Smith's impeccably well-researched plan for

reflect a consensus among the autonomous counties. Yet at their October summit, it was despatched to the limbo of a working party. Smith says: "I think once the

counties got their solicitors reading the new constitutions. the enormity of it all just hit them very hard." But he claims not to be despondent over the stalling of his reforms.

To an outsider, it seems the major counties in particular wish to remain that curious English hybrid, a limited company and yet a private mem-bers' club. But Smith insists that change is inevitable. "We will have an English cricket board - whatever it is ultimately called. Everyone outside cricket can see the need to deal with just one governing body, and we have to respond." What really causes Smith

edge."
A.C. Smith was captain of Oxford when the Nawab of Pataudi was in the side and the universities could still expect to win half a dozen matches against the county teams, and then a successful Warwickshire

and England player. His regrets are few. "When I leave. I shall miss the company of nice people," said Smith, "It really is one of the greatest

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WEDNESDAY FEBRUARY 14 Berkeley 2.3p Carlton Comms. 71/2% Cv.

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Sheriff 4,750

Sub. Bds. '07 £187.5 Chubb Security 2.6p Colonial Fin. Gtd. FRN. '05 \$336.61 Faupel Trading 0.7p Hozelock 6p INVESCO Eng & Int. Tst. 4p Meconic 1.65o Norway 516% Nts. 1997 Y53.750 Sanyo Elect FRN. '97 Teljin 64% Bds. '01 Y640,000 UMECO 1.25p United Drug (R5.55p Universal Salvage 1.52p

THURSDAY FEBRUARY 15 Abbott Laboratories \$0.21 Anglo Am Inv. Tst. 6% Cum. Prf. R0.06 Assoc Nursing Services 0.85p Burndene invs. 1 75p Chase Manhatten \$0.45 Colgate-Palmolive \$0.47 Fishguard & Rosstare Rail 3!4% Gtd. Prf. Stk. 1.225p Gibbon 7% 2.5p Hambros Eurobond & Money Prtg. Red. Prf. A\$0.8907 Do. Prtg. Red. Prf. (Cont. Eurobond) DM1.3096 Do. Prtg. Red. Prf. (Cont. Money Mkt.)DM0.7748 Do. Prig. Red. Prf. (Managed) 18.44p cosuninDo. Prtg. Red. Prf. (North Am) \$0.76 Do. Prtg. Red. Prf. (Stig.

Eurobond) 17.99p Do. Prtg. Red. Prf. (Stig Money

Mkt.) 29.05p Do. Prtg. Red. Prf. (US\$ Money Mkt.) \$0.342 Do. Prtg. Red. Prf. (US\$ Managed) \$0,246 Do. Prig. Red. Pri. (Yen Eurobond) Y33.45 Housing Fin. Agency 84% '18 IR4.375 Japan Dev. Bank 8%% Gtd. Nts. '01 \$418.75 Matheson Lloyd's Inv. Tst,

Moorgate Inv. Tst. 1.75p Protean 1.6p Senwa Benk Cen FRN. '05 \$1,629.17 Scottish Met Prop 101496 Mort. Db. '16 £5.125 Scottish Radio 4.4p Sears 71/4% Unsec. Ln. 92/97 F3.625 SONAR Mort. Bk. FRN. '21

£165.27 Do. Class B. £198.58 Utility Cable 0.39p

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Halifax Bldg. Soc 61/2% Bds '04 265 Do. 101/196 Sub. Bds. 2018 £1,050 Hasbro \$0.08

TOCHU 91/2% 1997 \$4,750 Japan Fin. Municipal Ents 9%% Gtd. Bds. '05 291.25 Moorgate Invs. Tst. 1.75p NatWest Bank Prim. Cep. FRN 313.06 Do. Variable Rate Cap. 2008

\$162.92 Nippon Credit Bank Fin. \$3,264.72 Pilkington 1.75p SKOPBANK- Finn Svgs Bks Ass. B, VRN. \$172,50 State Bank NSW 796 '04 A\$70 Do. Ext. FRN. \$314.65 United Utilities 9,27p

SATURDAY FEBRUARY 17 Peabody Donation 10.25% Gtd. Secd. '23 £5.125

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#### UK COMPANIES

TODAY COMPANY MEETINGS: INVESCO Recovery Tst., 11 Devonshire Sq. E.C. 12.00 BOARD MEETINGS: Finals: Gertmore Micro Index Trust

Olim Convertible Trust Wellington Underwriting Interims: Armour Trust Brywit Second Alliance Trust

TOMORROW COMPANY MEETINGS: Baggeridge Brick. Birmingham Chamber of Industry and Commerce, 12.00 Hardys & Hansons, Kimberley Brewery, Nottingham, 11.30 RCO Hidgs., 20 Old Bailey E.C., 3.00pm Titon Hidge., International House, Peartree Rd., Stanway, Coichester, 10.00 Windsor, 1 Great Tower St. E.C., 12.00 BOARD MEETINGS:

British Petroleum irish Banks Johnson Fry Second Utilities Trust Kleinwort O'seas Inv. Trust St Modwen Properties TR Pacific Inv. Trust Updown Inv. Warrants & Value Inv. Trust Fleming Overseas Inv. Trust

WEDNESDAY FEBRUARY 14 COMPANY MEETINGS: Daily Mail & General Tst., Kensington Close Hotel, Wrights Lane, W., 11.00 Fenchurch, Bakers Hall, 9 Harp Lane, E.C., 12.00 BOARD MEETINGS: Finals: Flying Flowers Lloyds Abbey Life Scottish American Inv. Schroder Split Fund

Eaglet Inv. Trust For. & Colonial Inc. Growth nv. Trust

THURSDAY FEBRUARY 15 COMPANY MEETINGS: Aberforth Smaller Companies, 14 Melville St., Edinburgh, 6.30 Chemex, 44 Worship St., E.C., 11.00 Electra Invs. Tst., 65

Kingsway W.C., 12,00 Scottish Radio Hidgs., Clydebank Business Park Clydebank, Glasgow, 12 00 BOARD MEETINGS: Finals: **CLM Insurance** Gen. Cons. Inv. Trust

Greenfriar inv. Mersey Docks & Harbour Royal Dutch/Shell Ward Interims: Affied Leisure Armitage Brothers Pantheon Inti.

FRIDAY FEBRUARY 16 COMPANY MEETINGS: Bearing Power Intl., Institute of Directors, Pall Mall, S.W., 11.30 Watson & Philip, Strathtay House, Dundee, 12.30

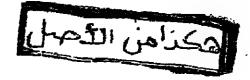
MSTERRAN

BOARD MEETINGS: Finals: Baring Tribune Inv. Interims: Birse

Company meetings are annual general meetings unless otherwise stated.

Please note: Reports and accounts are not normally f available until approximately six weeks after the board meeting to approve the preliminary results.

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Season "

ice, Lendon W.L.

the way to the airport?

the airport this morning.

Lee's films, it happens, are about

about food and family life in cross-

play with a famous signature.

most brilliant actresses today.

prople said Sait Drink Man Woman was about sisters and matrimony. It even had a

"At first it didn't make sense why

they had sent it to me. Then I began

to realise that all this time I have

been making Jane Austen films! Ea

line of dialogue that was the same

as one in Sense And Sensibility;

when the two sisters fight and one

heart? Wedding Banquet was about

social repression and traditional family structures, facing the mod-

ern world in a time of transition. Like Jake Austen, the films are

about how to deal with people while

hard on his career-consistency pat-

ter. But perhaps there is a similar-

ity between the social finesse of

Regency England and the formal

preciosity of Chinese manners

today and through the ages. At the

master at irony and intimism -

Austen's own strengths - in his

"I love the combination of satire

and family drama, of cynical

dumonr and a warm romantic

touch. People are getting fed up

with a certain type of movie today, the hard-edged slam-bang thriller or

action film. They are looking for

something with a human dimen-

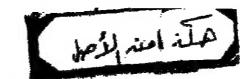
They are certainly looking for

lane Austen, to judge by the cur-rent epidemic. "It's so ironic," he

same time Lee has proved himself a

Lee has obviously been working

staying true to your emotions."





WURZBURG

Tieppio (1696-1770) was the last of the great Venetian decorators, the pureet exponent of the Italian Rococo and arguably the greatest painter of the 18th century. To mark the 300th anniversary of his birth, an endings and 180 paintings and drawings opens at the Residenz, which was decorated by the artist ieft), on Thursday.

Peter Grimes", Benjamin Britten's best-known opera, has had to wait half a century for its first production Vienna. Tonight's premiere at the State Opera is conducted by Matislav Rostropovich and staged by Christine Miglitz, with a cast including Nell Shicoff as Grimes and



LYONS

On Thursday the Musee des Beeu Arts unveils the first major netrospective of Francols-Auguste Ravier (above), the 19th century tandscape painter often described as the French Turner. Ravier shunned the Paris salons and spent most of his career painting wetercolours which capture the light and atmosphere of the Dauphinou countryside. The exhibition includes 140 paintings and drawings from public and private collections around Europe, plus 20 works by fils



NEW YORK

One of the biggest-ever Fabr exhibitions opens at the Metropolitan Museum of Art on Friday. It features more than 400 precious objects - including 15 of the 44 extent imperial Easter aggs (left) commissioned by the last Russian tears, The exhibition will travel to Sen Francisco, Richmond, New Orleans and Cleveland,

PARIS

At the Opera Bastille in Paris on Tuesday, a new ballet programme is devoted to four works by George Balanchine set to Tchaikovsky music: "Semnade", "Tchaikovsky pa de deux", "Allegro Brillante", "Theme and Variations". Wonderful ballets and wonderful

HAVANA

Cuba has been putting fire into jazz since the Forties "Cubop" craze, even though political obstacles have musiclens from leaving and others returning, But Havana's annual jazz remains a high point in the touring calendar. This year's programme includes the island's top brass, Irakere York, flery Coleman

OPERA / David Murray

## Tristan, or something like it

These days, to see Wagner played straight you have to go to the prov-inces. On Saturday the English National Opera unveiled its new Tristan and Isolde; as produced by David Alden, it amounts to a concert performance with mildly eccentric trappings.

But it is a very good concert permain roles, and a strong, finely shaped account of the score by Mark Elder. The volcanic power of Wagner's music is not lost, nor its elevated intensity at the end. As for the drawa - well, Alden has striven to "cut away all the externals", which means the visible story, the visible characters, the immediate situations.

Without those "externals", unfortunately, we get nothing to pene-trate. It is strange to think that a new London generation of Wagnerlovers is growing up with hardly a glimpse of grown-up Wagnerian opera: just Richard Jones's jokey, anything goes Ring at Covent Garden, grotesque Parsifals at both houses, and now this spectrally bloodless Tristan

These may tickle jaded palates, but the povice Wagnerians among the audience probably outnumber jaded palates by 10 to one. I thought that Dennis Marks, the ENO's general director, was pushing things when he appeared at the start to thank "The Audience" for presenting the show (via the ENO Trust): they had not been consuited, and by the end some of

As you may remember, Act One takes place on a ship which is bearing the reluctant Isolde to Cornwall, under Tristan's protection, to marry King Marke. What Alden shows us, therefore, is a high, stage-wide brick wall with two gilded, peeling arches, and vestiges of an old stucco sky-and-clouds cyclorama. We wonder idly how the chorus of sailors will get a look-in; in fact a slab of the wall gets raised from time to time to disclose them like cuckoos in a clock, silhouetted against a void with pieces of what

might be obsolete farm equipment. For Act Two we have the same wall, but parts of it keep drifting off, sideways or upwards, until by Act Three there is only the luminous void (in various colours), with the bulky silhouette of the dying Tristan propped precariously upon a small wooden chair. Why a wooden chair, you ask? Because small wooden chairs are Alden's trademark; and he has shown great restraint in having only one of them here. Indeed, he shows

weird, arbitrary details upon the action - unless you count his treat-ment of the Shepherd in Act Three, who is apparently blind and immobile, staring blankly into the audience almost throughout.

Semi-abstract Tristans are nothing new, and given ripe dramatic performances by the principals they can work. Here, though, the Tristan and the Isolde are not only large vocal presences but very large bodily ones, ungainly and inflexible. They are remarkably shaggy, and enfolded in voluminous robes. The moon-faced Isolde wears a fixed, triumphant gloat for two acts, and returns for the third in a state of beatific catatonia at front-stage, never once looking at Tristan's corpse spread-eagled far behind her.

For the great love-duet of Act Two, Alden has decided that it would be too crude to allow the lovers to touch. Instead, these massive figures just keep gesturing and twirling in stately slow motion, between 20st and 30st apart. Slim little Brangaene, Isolde's handmaid, is dwarfed and marginalised. So is most of the story.

Yet there are creditable vocal honours all round. Elizabeth Con-nell's Isolde boasts splendid attack, a rich range of vocal colours that lights up passage after passage with bold imagination, and huge musical commitment to the role. The American tenor George Gray is not so interesting as Tristan, but his heroic, pressurised timbre is reliable singers like him are much needed in the Wagner repertoire nowadays. Young Susan Parry's Brangaene is plangent and lovely, though under-used: in a real staging, five or six years hence, she might do wonders.

As Kurwenal, Tristan's loyal henchman, Jonathan Summers tall, hairy and be-kilted - promises far more than he is ever allowed to explore here. Gwynne Howell's King Marke, at least, escapes unscathed: his solo turns are isolated from the action, but he delivers them with noble sobriety. In smaller roles John Hudson and Christopher Booth-Jones make vivid impressions as the Young Sailor and Melot. And Elder's vital way with the score - urgent without forcing, always attentive to the longer span - is exciting to hear, all the way through. One longs to hear him conduct a production that makes room for drama, and suspense, and danger.

Eight more performances at the Coliseum, to 16 March.



## Eat Drink Jane Austen

## Nigel Andrews talks to Ang Lee, director of 'Sense and Sensibility'

sighs, "that our film comes out at "war games" then being conducted and to make it pure. The way peo- In earlier films Lee also used just before Emma, which is being filmed now. Because Emma [Thompson]'s script had already

been four years in the writing when I read it. The same thing happened to me on *The Wedding Banquet*. It took seven years from first draft to film, then all that year there were gay-related Chinese movies!" But how can any artist guess or

outguess a zeitgeist if he is always on the move? Born in Taiwan, Lee emigrated to America at age 24, studying theatre at Illinois University and film at New York University. Then he returned to Taiwan to win first and second prizes in a government-sponsored screenplay contest. Both scripts were filmed and the second was The Wedding Banquet, which brought him fame by winning the Berlin Golden Bear. Though he now lives in America,

he still has close feelings for Taiwan and the country's historic problems, "It was never as free as Hong Kong, where you can say almost anything as a film-maker. Taiwan always had a certain fear of China" - we were talking of the one learned certain protocols or disguises. I would hate to see Taiwan taken over as Hong Kong will be. It is terrible for a country to live in a state of confusion over its identity." Individuals likewise Returning from the political to the particular, could anything be more incongruous than for a man who is part Eastern, part East-coast American to tackle the manners of a bygone.

dauntingly specific British time and "The biggest problem I had was with the acting," he says to my surprise, since the cast glitters with Emma Thompson, Alan Rickman, Hugh Grant et al. "Sometimes," he explains, "I could not tell if they were acting from a tradition of 19thcentury real life or 19th-century

"I didn't want to make a costume drama that would distance people. What the English call a teacup drama. So I asked myself, how do you tear down that distance, of the period language and costume. Or do you use it? Because that distance allows you to abstract the emotion tumes means something. It's all part of their behaviour and attitudes, and their thinking about relationships. The actors all had dance lessons and I'd participate with them. Because it was an important social event: how you make eye contact again and again with someone, how you carry your-

ccording to Emma Thompson's published diary on the film's making. Lee was obsessed too with the contours and possible significances of people's faces: including the space between an actor's lower lip and chin and again between the bridge of his nose and his forehead. Since ee also made his cast do meditations, tai chi exercises and "homework" on their roles - submitting past histories of their characters' lives and accounts of their feelings - it sounds as if the world of the filmed classic was being invaded by every dangerous science from Zen

emotions. Surely he could not do that with something as precise and fastidious as a Jane Austen script? "On Wedding Banquet and Eat Drink improvisation helped a lot, though I used it less here. It can

loosen up an actor. But you have to do it carefully. It's a tool, not an end in itself or a kind of psychother apy. Sometimes you must pull the actor back to where he started." I venture a delicate question

about his own preparations for the film. Had he read the novel?
"I hadn't read it when I received

the script. But then I did and I felt this call of destiny. It's the kind of story I've been aiming at all these years. I felt it was made for me. I'm totally grateful for the opportunity. Coming out of the blue, it's one of the best things that's happened to me in my life."

Soon after Lee told me this, Sense And Sensibility won the 1996 Golden Globe award for Best Film from the Los Angeles critics. This probably ensures that his career is now, like him at the close of our interview ready for international take-off.

Opera. Soloists include Carol Samb, Raoul Teuscher and Claude Vaness, Cecilia Bartoli and Jerry Hadley; 7.30pm; Feb 13, 17 (8pm) Vuillemin; Tue - Sat 8.30pm, Sun 4pm: to Mar 2 (not Mon)

#### ■ STOCKHOLM

CONCERT

unusual restraint in not visiting

Konserthuset Tel: 46-8-7860200 Filharmonikerna: with conductor Andrew Davis and planist Howard Shelley perform Mozart's Piano Concerto No.17 and Elgar's Symphony No.1; 7.30pm; Feb 14, 15

#### ■ WASHINGTON

CONCERT Concert Hall Tel: 1-202-467 4600 National Symphony Orchestra: with conductor James DePreist and violinist Nadja Salemo-Sonnenberg perform works by Epstein, Börtz, Schubert, Barber and Hindernith; 8.30pm; Feb 13

EXHIBITION Corcoran Gallery of Art Tel: 1-202-638-3211

 Painting Outside Painting: 44th Biennial Exhibition of Contemporary American Painting: the 88th year of the longest-running blennial exhibition in the US and the only one to focus exclusively on current directions in American painting; to

Tonhalle Tel: 41-1-2063434 Symphony No.9; 7.30pm; Feb 13, 14, 15 (8pm)

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Financial Times Business **Toniaht** 

17.30

Midnight Financial Times Business **Toniaht** 

# INTERNATIONAL

#### **AMSTERDAM**

DANCE Het Muziektheater Tet 31-20-5518117 Cinderella: a choreography by Tederick Ashton to music by tokofiev, performed by Het lationale Ballet. Soloists include and Alexander Gouliaev Feb 15), Caroline Sayo lura and avid Dawson (Feb 16), and Larissa Sthina and Wim Broeckx (Feb 17): Spir, Feb 15, 16, 17 ENHBITION Stadellik Museum Tet 31-20-5732911

#### Gilbert & George: The Naked Shit Titles: these symmetrically tiructured pictures are a

radicalization of the large works the hists have been making since the beginning of the seventies, and in they portray the condition of modern man; from Feb 17 to Mar 31

#### BERLIN CONCEL note Reports and 1

Perthaus let 49-30-203092100/01

 Berliner Sinfonie-Orchester: with conductor Antoni Wit, soprano Dagmar Schellenberger, tenor Peter Maus and bass Rudolf Mazzola perform works by Mozart and Stravinsky; 8pm; Feb 16

#### ■ BOLOGNA

**OPERA** Teatro Comunale di Bologna Tel: 39-51-529999 Anna Bolena: by Donizetti. Conducted by Evelino Pidò and performed by the Testro Comunale di Bologna. Soloists include Luciana Serra, José Broos, Sonia Granassi and Carlo Colombara; 8.30pm; Feb 13, 15 (6pm), 18 (3.30pm)

#### ■ CAPE TOWN

CONCERT City Hall Tel: 27-21-4617084 The Cape Town Symphony Orchestra: with conductor Jorge Mester and pianist François Guy perform works by Van Wyk, Bartok and Ives; 8pm; Feb 15

#### ■ COPENHAGEN

**OPERA** Det Kongelige Teater Tel: 45-33 14 10 02 Saul and David; by Nielsen. Conducted by Poul Joergensen and performed by the Royal Danish Opera. Soloists include Aage Haugland, Kurt Westl and Poul Elming; 8pm; Feb 13, 15

#### ■ HAMBURG

The state of the s

OPERA Hamburgische Staatsoper Tel: 49-40-351721

 Hamburgische Staatsoper: with conductor Miguel Gomez Martinez perform Mascagni's Cavalleria Rusticana and Leoncavallo's Pagliacci. Soloists include Stefka 7.30pm; Feb 14, 17

#### **■ LISBON**

CONCERT Grande Auditório da Fundação Gulbenklan Tel: 351-1-7935131 The Takecs Quartet: perform Schubert string quartets Nos. 1, 9 and 13 (Rosamunde); 6,30pm; Feb

#### LONDON

CONCERT Berbican Hall Tel: 44-171-6388891 London Symphony Orchestra: with conductor Myung-Whun Chung perform Shostakovich's Symphony No.6 and Mussorgsky's Pictures at an Exhibition; 7.30pm; Feb 15 Royal Albert Hall

Tel: 44-171-5823861 Mountbatten Festival of Music: presented by Sussanah Simons and Desmond Carrington. The bands of Her Majesty's Royal Marines perform a concert programme of light popular music; 7.30pm; Feb 14.

Wigmore Hall Tel: 44-171-9352141 performs works by Haydn and Bartók; 7.30pm; Feb 14

#### LYON

Opéra de Lyon Tel: 33-72 00 45 45 Die Zauberflöte: by Mozart. Conducted by Kent Nagano and

performed by the Opéra de Lyon. Soloists Include Christiane Oeize, Veronica Cangerni, Natalie Dessay and Thomas Mohr; 8pm; Feb 13 (7.30pm), 14, 15, 17

#### MUNICH DANCE

Nationaltheat Tel: 49-89-21851920

 Bøyerlaches Staatsballett: perform the choreographies Concerto Barocco by Georga Balanchine to music by J.S. Bach, Der Feuervogel by Angelin Preljocal to music by Stravinsky, and Fearful Symmetries by Peter Mertins to music by Adams; 7.30pm; Feb 13

#### ■ NEW YORK

CONCERT Avery Fisher Hall

Tel: 1-212-875-5030 Brandenburg Ensemble: led by Todd Phillips and with flutist Jean-Pierre Rampal and violinist Jennifer Koh perform Mozart's Serenade in D (Serenata notturna). Vivaldi's Concerto in C minor for Flute, Violin and Strings, Stamitz's Flute Concerto in G, and J.S. Bach's Violin Concerto No.2 in E and Brandenburg Concerto No.3 in G; 8pm; Feb 14 New York Philharmonic: with conductor Charles Dutoit and harpist

Albéniz, Rodrigo, De Falla and Turina; 7.30pm; Feb 13 **OPERA** Metropolitan Opera House Tel: 1-212-362-6000 Cosi fan tutte: by Mozart. Conducted by James Levine and performed by the Metropolitan

Sarah Bullen perform works by

#### III NICE OPERA

Opéra de Nice Tel: 33-93 85 67 31 The Golden Cockerel: by Rimsky-Korsakov. Conducted by Uri Segal and performed by the Opera de Nice and the Orchest Philharmonique de Nice. Soloists Include Sumi Jo, Valérie Gonzalez, Alexander Anisimov and Donald Kaasch; 8pm; Feb 13, 15

#### PARIS CONCERT

Selle Gaveau Tel: 33-1 49 53 05 07 Paul Badura-Skoda: the pianist performs works by J.S. Bach, Mozert and Beethoven; 8.30pm; Feb DANCE Théâtre de la Ville

Tel: 33-1 42 74 22 77 La Tristeza complice: a choreography by Alain Platel to music by Purcell, performed by Les ballets C. de la B.; 8.30pm; Feb 13, 14, 15, 16, 17 OPERA

Tel: 33-1 44 73 13 99 Idomeneo: by Mozart, Conducted by Marc Minkowski and performed by the Opéra National de Paris. ;7.30pm; Feb 14, 17

L'Opéra de Paris Bastille

THEATRE

Théâtre National de Chaillot Tel: 33-1 47 27 81 15 Fantasio: by Alfred de Musset. Directed by Claude Stratz. The cast Includes Madeleine Assas, Pierre Byland, Jane Friedrich, Boubacar

#### ZURICH CONCERT

 Tonhalle-Orchester: with conductor Herbert Blomstedt perform Berwald's Symphony in E-flat major and Bruckner's



Michael Prowse · America

## Christian crusade

Religion could play as important a role in this year's presidential race as pocketbook issues such as taxes

In the middle ages, Christians joined military crusades to fight infidels. Now they are foot-soldiers in US political campaigns. Indeed the strangest aspect of press coverage of Republican campaigning in Iowa - at least in the eyes of an outsider - is that it has focused as much on something called the "Christian Right" as on the candidates

themselves. The stress on the voting intentions of religious conser vatives follows the surprise victory of Mr Pat Buchanan. the fiery columnist; in last week's Louisiana party caucuses. Mr Buchanan's emotional demand for a Constitutional amendment banning abortion drowned out the free market message of his main opponent, Senator Phil Gramm of Texas.

The Christian Right - now the single largest faction in the Republican Party showed its political clout in the 1994 congressional elections. If evangelical Christians had not voted Republican by a margin of three to one, the Democrats would probably not have lost their majority in the House of Representatives for the first time in 40 years. The Gingrich "revolution" might have never occurred and President Bill Clinton might by now have enacted

Religion influences politics because it permeates every-thing in US life. The point Europeans should grasp, says Mr George Weiget, director of Ethics and Public Policy, a Washington think-tank, that the US has "falsified the thesis that modernisation implies secularisation". If anything the US is more religious than 50 years ago, he claims. Opinion polls indicate 84 per cent of voters believe in beaven against 57 per cent in Britain and a mere 17 per cent in Denmark. Half the population claims to read the Bible at least once a week outside church and an astonishing 40 per cent describe themselves as "born again" or

much of his social agenda.

evangelical Christians. At first glance it is puzzling that these intensely religious folk are so conservative politically. In 1994 nearly 80 per cent of church-going white evangelicals voted Republican (blacks form a separate class and voted Democrat by a similar margin). The conservative bías was evident even among

low-income evangelicals, who might be expected to lean toward the Democratic party. In other countries voters with comparably strong religious convictions are often left of centre - and deeply suspicious of capitalism and property rights. Think, for example, of the Roman Catholic priests in Latin America who invented "liberation theology" and the British church leaders who seize every opportunity to condemn market-oriented policies. The puzzle is deepened because in the 1930s US evangelicals formed part of Franklin Roosevelt's "New Deal" coalition. Indeed, as recently as the 1950s, evangelicals were solidly Dem-

According to Professor John Green, a political scientist at the University of Akron in Obio, the shift of evangelicals and (to a lesser degree) Catho-lics from the Democratic to the Republican fold represents "a fundamental re-ordering of political preferences". There are two reasons for the shift, which has helped the Republican Party win five of the past

1994 congressional elections

White mainine protestants

78%

5896

53%

4496

39%

10%

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seven presidential elections. members and the power to The first is that evangelicals dictate chunks of Republican social policy. and other fundamentalist Prof Green is not alone in groups were alienated by the changes in social mores and arguing that "religion was policy that occurred in the more important than economics" in determining the out-1960s and 1970s, such as the

Prof Green, and they saw the Democratic Party as "the engine of this liberalism." The second reason for the shift in voting patterns is slmply upward economic and social mobility. Several decades ago, evangelicals and Catholics tended to be poorer and less well educated than the population at large. They exerted far less influence than liberal "mainline" Protestants (such as Episcopalians and Lutherans) who had been culturally dominant since the

easier rules on abortion and

divorce, the promotion of gay rights and the rise of radical

feminism. "Bit by bit evangeli-

cals felt antagonised," says

War of Independence. But as members of evangelical groups climbed the economic ladder (a rise associated with the shift in industrial activity to the southern states), they became politically more active, as well as ideologically more conser-

of the "Contract with Amervative. They also became ica"; they are not going to more numerous relative to mainline Protestants whose because the budget is still unbalanced. What really exerchurches have seen falling rolls. The rising influence of evangelicals is mirrored in the alleged "moral decline" as startling growth of Mr Ralph Reed's Christian Coalition, an reflected in the rise in out-ofwedlock births, violent crime advocacy group with 1.7m tist, knows how to court reli-The religious vote Republican Republican

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11%

24%

22%

12%

4%

- 2%

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.17%

FATAS HE MYIA

gious voters. In pledging a "new covenant" with the American people in his 1993 campaign he made deliberate and overt use of religious imagery. But his success this November cannot be taken for granted unless he can find a way of winning back at least a portion of the evangelical and Catholic voters who have deserted the Democratic Party and who question his leadership on "character" grounds. That will require convincing talk on moral as well as pocketbook issues.

come of the 1994 elections. As

the table shows, all three of

the main religious groups

voted disproportionately

Republican, with bigger mar-

gins among regular church-

goers. White evangelicals

third of the total Republican

vote. The Democratic rout

would have been more severe

but for the support of key

minorities, such as blacks,

Hispanics and Jews, and (less decisively) that of secular vot

ers - the 8-14 per cent of the

electorate who say they are

the Republicans' failure (to

date) to get much of their eco-

nomic agenda enacted could fatally undermine their elec-

toral appeal this year. How-

ever, given the importance of

religion in US politics this

could prove a miscalculation. Evangelicals may not care

that Mr Clinton blocked much

abandon the Republican party

cises them is the nation's

and other social pathologies.

Mr Clinton, a Southern Bap-

Some pundits assume that

not religious.

lone accounted for nearly a

## ·LETTERS TO THE EDITOR.

Number One Southwark Bridge, London SEL SHL We are keen to encourage letters from readers around the world. Letters may be fared to +44 171 573 5936 please set lar-

we are seen to encourage letters from translation may be available for letters written in the main international languages.

## Nothing learned about technical analysis

From Mr Terry W. Young. Sir, Mr John Train's column "Don't waste time on charts" (February 3/4) is almost verbatim from his writings in 1980 (chapters 10 & 11 in The Money Masters) wherein he alleges that technical analysis does not, will not and has never worked for any considerable period, I am dismayed that Mr Train has learned nothing about the uses of technical analysis in the 15 years since he published The

Money Masters. Today's masters of trading frequently rely upon computerised analyses of chart patterns to generate

mathematical trading algorithms. Chart patterns and algorithms enable disciplined traders to make money by analysing, defining and controlling market risk. Money is made in the markets, both long term and short term, by controlling risk.

Risk management techniques are the most important, universal skill of consistently profitable money managers, be they stock or futures investors. Mr Train has conveniently forgotten the long-term success of many professional chartists - some of whom have been featured in the two volumes of Market

Wizords by Mr Schwager published in this decade. Because investors elect to control risk in a different style than those that Mr Train idolises does not mean that they are wrong or

Mr Train's flamboyant bet that no one can take the left . side of a chart and predict the right side is childish and self-servingly totally ignores the role charts play with today's sophisticated and successful investors. The absolute predictive power of a chart is not what is important. A chart is important for what it implies of market

psychology and as a hint of future possible courses of action based upon historical precedence.

The most successful traders combine a fundamental appraisal of future expectations (which Mr Train recommends) with a sense of timing and risk control (which Mr Train largely ignores). of discipline for many.

Terry W. Young. TYC Inc. 236 White Oak, Santa Ynez, CA 93460,

#### Long-term view behind latest step

From Mr Maurice Benisty. Sir, Your comment on the Groupe Videotron's disposal of its 56 per cent shareholding in Videotron Holdings ("New blow for cable TV as Videotron opts to sell". February 8) was evidence of the increasingly frequent "cable bashing" enjoyed by both investors and

the financial press. It is precisely because the short-term performance of the industry has been below forecasts that the cable operators are now looking at consolidation to facilitate cost savings and increased

purchasing power. In Videotron's case the move is far from "a fresh blow to the industry" but a balanced response to market trends and the need to concentrate capital on the fast changing North American markets.

The cable industry clearly has some way to go in terms of its ability to provide a sensible return to shareholders and in the meantime the number of olayers in the market is likely to fall. This should be viewed as positive and as a means to provide a much needed boost to subscriber numbers and overall industry performance.

Maurice Benisty, media and telecommunications finance. Banque Paribas. 33 Wigmore Street London W1H 0BN, UK

#### When US chauvinism is inappropriate

From Mr David Cairns. Sir, Arthur Levitt, the chairman of the Securities and Exchange Commission in the US, complains that European companies are chauvinistic in refusing to budge from their domestic accounting regimes At the same time, he asserts that US accounting standards are the best and, by inference, should be adopted worldwide (Survey of accessing the US capital markets: "The world according to US GAAP". February 1). This sort of American chauvinism is fine when American standards are the best, but not when they lead to inappropriate and unsound international

The issue of accounting for deferred taxes is a prime example of where pressure to adopt an American standard is leading to a bad international accounting standard. As a result of this pressure, the International Accounting Standards Committee has recently proposed that companies should gross up tax-free income and expenditure which is not tax-deductible.

Under this proposal accounts will show fictional amounts of income, expenditure and tax expense and tax liabilities. Furthermore, some assets will be recorded on the balance sheet at cost plus the amount of tax relief that the company

will not get on that asset. This proposal is quite absurd and is not even good, let alone the

best, accounting.

Mr Levitt should distinguish between those American standards which are good and those which are bad. He should recognise that European companies have shown considerable flexibility in adopting good international standards. They are right co to budge when those standards are flawed or fail to deal appropriately with European

David Cairns, Bramblewood, Turville Heath, Oxfordshire RG9 6JY. UK

#### Argument addresses wrong positions

From Mr Mark Gouder. Sir. Samuel Brittan (Economic Viewpoint, February 1) is right to point out the distinction between a "stakeholder" economy and a "stakeholder" enterprise. And he is right to note the reluctance of the RSA Inquiry *"Tomorrow's Companu"* to use

accounting standards.

But he misses the point when he characterises our inquiry as an attempt to "broaden the duties of directors". And he wastes fire-power bombarding positions no one is interested in defending. Pitting sbareholders against each other is yesterday's argument.

the "s" word.

The Tomorrow's Company position is an follows: 1) To win - and so create lasting shareholder value - in a giddy global economy, the company must be fast on its feet and all its people need to be dedicated and creative. 2) Money alone will not buy

that: to achieve exceptional performance from employees and suppliers, and a stronger "licence to operate" companies need a purpose that inspires their own people and values that win public confidence. 3) Each company has to find its own route to success, but those which define - and *meosure – s*uccess in a way that excludes customers.

suppliers, employees, or community expose shareholders to risk and deprive them of future value. 4) Tomorrow's world class company has to inspire loyalty, trust, and creativity in all its relationships. Tomorrow's boards have to find ways of ensuring this is being done well. That's the inclusive approach to success, and the inquiry pointed out that boards who ignore it risk failing in their fiduciary duty.

Maris Goyder, director, Tomorrow's Company, 8 John Adam Street, London WC2N 6BZ, UK

#### Prices moving up refer to pulps sold to peripheral markets

From Mr Roger A. Wright. Sir, I was flattered to be quoted in your article headlined "Pressing down the pulp matter" (February 8). However, I would respectfully ask that you clarify a most

important point. Although I do believe, as is stated in the article, that "prices may be heading back : \$400 a tonne" this refers to mixed tropical hardwood pulps sold in peripheral markets.

The costs of producing and delivering northern grades of market pulp which account for almost 80 per cent of world supplies are more than \$600

Even bungee jumpers don't

use rubber cords which are

Roger A. Wright, Hawkins Wright, 18 Thurioe Place. London SW7 2SP, UK

longer than the drop.

#### Samuel Brittan

## How Bundesbank sees Emu



There is a crucial difference between the role of the Bundesbank in the monetary unification of west and east Germany in

1990 and the role it will have in Germany's decision whether or not to go ahead with European economic and monetary union

In the case of the all-German monetary unification, the decision was entirely one for the government. Although the Bundesbank was obviously unhappy about it, it had no formal role in the process. In the case of Emu, the Bundes-bank does have a role, albeit an advisory one, the nature of which is not widely recog-

There are two international institutions which have to give a professional view in the winter of 1997-98 on which countries are ready for monetary union in 1999. One is the European Commission, which is not supposed to take instructions from national authorities.

The other is the European Monetary Institute, which is meant to be the precursor of the proposed European central bank. The policy of the EMI is ultimately decided by its comcil, which consists of the governors of the existing European Union central banks. Moreover, council members can vote and do not have to be unanimous. Any central bank governor can issue, or participate in, a minority report, as the Bundesbank president, Dr Hans Tietmeyer, recently reminded us in a public

Thus the Bundesbank will be perfectly free, indeed duty bound, to state which (if any) countries in its opinion satisfy

the Masstricht criteris. It is the face of a hostile vote in the the report signed by the Bunds. Bundestag, esbank which will, of course, It is quite likely that the matter for German public opin-

This will give the German central bank a pivotal position. If it is satisfied that not enough countries - and France is the one that matters - meet the criteria, then that will be the end of the affair. If, however, the Bundesbank gives a favourable opinion its voice will have only the force of persuasion. The battle will then be on to convince German pub-lic and political opinion that the euro, the proposed new currency, will be an adequate substitute for the D-Mark - or will at least not be so inferior as to undermine the political arguments in Germany for a more integrated European

The Bundesbank president has little need to fear that a negative recommendation of his will be over-ridden by the chancellor. His real fear is the opposite: that a positive recom-mendation may not be sufficient to turn round political opinion. For there is no way in which Emu could happen in

The Bundesbank will, in practice, be able to block economic and monetary union, but will need all its persuasive powers should it come out in support

Bundestag.
It is quite likely that the specire of other currencies depreciating against the D-Mark in a competitive free-for-all will turn public opinion back towards Emu. But the Bundesbank is reluctant to use such arguments and believes it will have most influence if it acts as the dragon guarding the Maastricht conditions.

Strictness does not mean insensitivity to the business cycle. Just like the Commission and the EMI staff, the Bundesbank does not want to base an Emu decision on the vagaries of business conditions in any one year. It is interested in the sustainability of the budgetary position of candidates for Emu.

But the German central bank believes the bulk of European unemployment is structural and not to be attributed to stupld fiscal or monetary policies. It has, moreover, a robust scep-ticism about the cyclical adjustments which economists make to reduce budgetary defi-cits. Hence, its unwillingness to support talk of flexible inter-

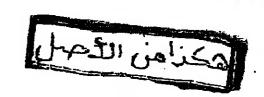
In practice, it is most interested in the stability pact proposed by the finance minister, Mr Theo Waigel, to operate once Emu has come into force. This is regarded as more important even than Maastricht; its main insistence is that there should be automatic sanctions on countries which have excess deficits. The pro-posed fines may not be the last word and the budgetary targets are subject to discussion. But the Bundesbank's belief in a supra-national element in fiscal as well as monetary decisions will not be music to British ears.

Of course, the leaders of the

German central bank recognise that a judgment will be required on whether an apparently excess deficit might be justified by exceptional economic circumstances or by remedial measures that have been put in train. The supranational elements will come in through majority voting in the European Council and through the automatic application of penalties once a decision is

Many economists, most recently Prof Willem Buiter of Cambridge University, have argued that the deficit and public debt ratios in the Marstricht annexe "make ho sens" But even if Buiter is right, as he may well be there will be he may well be, there will be no Emu unless would-be members pay some respect to the stated conditions. The real justification for the fiscal criteria may be, as Butter suggests, not monetary but to make it less likely that "a debt default contingency would ever arise or that any country could ever blackmail the rest of the EU into servicing part of its debt" (Centre for Economic Policy Research discussion paper 1222, August 1995). In any case, the Bundeshank will not let go

of the criteria. Meanwhile, there is nothing more foolish than the attempt by some British ministers to insinuate that Emu will be postponed. This is so obviously a self-serving device to paper over Conservative divisions and to say nothing about what will happen in the next British parliament. A postponement into the latter part of 1999 or. 2000 would count as a technical adjustment. But anything ionger would be more serious; and if the British government were seen to have a role in the delay, its influences in subse-quent decisions would sink even lower than it is to-



#### FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Monday February 12 1996

## After the ceasefire

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murderous bombing campaign has all but shattered hopes of a perma-nent break in the cycle of violence which claimed more than 3,000 lives during 25 miserable years. In one act of terrorism the IRA has Propriet one act or terror as which 17 broken the fragile trust which 17 months of peace had begun to build among the divided commu-nities of Northern Ireland. The butto analysis of Northern Ireland. In mities of Northern Ireland. In danger now is of an escalation of violence, with hombing on the violence, with hombing over into a resumption of sectarian killing

n those America in the province.
The bombing casts serious rds which are good a which are bad their ise that European doubt on the motives and the influence of Sinn Fein, the IRA's nies have shown political wing. Mr Gerry Adams and Mr Martin McGuinness have stated they had no advance knowarable flexibility is ng good mtematic rds. They are right; ledge, but both have refused to ge when those say configure the murder and maining of inflocent by standers. The obviwed or fail to deal ortately with Europe ous conclusion is that either the Sinn Féin leadership has been marginalised or, more likely, that it has acquiesced in a resumption olewood, Turile of violence. Either way the IRA's military commanders have reas-

serted their primacy. So Mr John Major and Mr John Bruton, the UK and Irish prime ministers, are entirely right to conclude that Sinn Fein can have no place at the negotiating table without another, permanent, reasefire or unless and until it entirely disassociates itself from the IRA campaign. If the IRA assumed that it could win concessions by bombing London, the calculation must be shown to have been utterly wrong.

Political risks

In this the London and Dublin governments deserve, and should expect, the strongest support from the US administration. Mr Bill Clinton has taken political risks in ending credibility to Mr Adams and Sinn Féin. He should not be

criticised for that. But now the president must of violence takes precedence over steps would be to revoke the visa which has allowed Mr Adams to travel freely in the US and to reimpose a ban on Sinn Féin fund-

The priority for Mr Major and Mr Bruton meanwhile is to re-es tablish a joint approach to a political settlement. This will require imagination and flexibility on both sides.

Future status

A starting point is to reaffirm the principle of consent at the heart of the Downing Street Decla ration - the future status of Northern Ireland can be decided only by the wishes of a majority. It is more important than ever to demonstrate once again to the IRA that unionists can never be coerced into a united Ireland

Mr Major, however, must resis the calls from those who want the government to respond to the resumption of the IRA campaign by seeking an internal political settlement in Northern Ireland. Instead he should stick firmly to the three-stranded approach set out in the Downing Street Declara tion, under which an eventual accord would include also a North/South and an Anglo-Irish dimension. Mr David Trimble, the official unionist leader, should also stress that the principle of consent is buttressed by respect for the traditions of the nationalist

For their part, Mr Bruton and Mr John Hume, the leader of the mainly-Catholic SDLP, should show more willingness than hitherto to explore the possibility of elections to a new constitutional convention in Northern Ireland. Mr Bruton yesterday appeared to slam the door on the idea. But, while there may be alternative ways to bring the constitutional parties to the negotiating table, a properly-designed convention

could yet offer a way forward. As Mr Major commented at the weekend, the bombing last Friday evening has cast a dark shadow of doubt over the prospects for peace. But such callous acts will never secure victory for the IRA. Nor must they be allowed to halt mutu among unionists and nationalists the political muscle of America's as the basis for political stability Irish lobby. Two important first in Northern Ireland.

## The problem with cable

What is wrong with UK cable? For more than a decade, cable companies have dug up the roads of Britain in pursuit of the vision of wired cities. Yet many cable hares have underperformed the UK market by about a third in the past year. Last week, Videotron, Canada's third largest cable television group, announced it wants to sell its majority stake in the UK's seventh largest cable company. The most disappointing statistic

for the industry is that cable tele-vision penetration has stalled at 21 per cent, scarcely rising for three years. That compares with the 40-45 per cent forecast during the investment wave of 1989-1990. in part, investors overestimated the public's willingness to pay for television through misguided comparisons with the US. UK broadcast television did not share three Weaknesses of its US counterpart: requent advertisements interruptng films; poor reception; and poor

rogramming outside big cities. UK cable television has also done itself few favours. Its door-to-door sales policy is well suited to the US but unfamiliar in the UK. It overpriced itself, cable is often more expensive than HSkyB satellite television, by £2-£3 per month for the basic package of channels. Unsurprisingly, BSkyB is ahead, with an estimated 3.5m iqueeholds in October compared with cable's 1.3m.

Real competition

Cable companies may have a estimate case that the terms on which BSkyB sells them programming are unfair, the Office of Fair Trading is currently considering the complaint. But that simply emphasises cable's failure to levelop its own programmes, pace Mirror Group's Live TV and its

topies darts players.
What about the cable compades second shot the right to offer telephony? Cable is providing conger competition for UK resihial customers. Telephone pentration is now 26 per cent (1,23m), having outstripped television subhile has generally undercut Birish Telecom, and the advent of portability - the custom-Phone number when changing should not try to pick winners.

operator - will help. However, the weakness of some cable companies' position is revealed in their recent plea that the regulator. Oftel, should not tighten the cap on BT's prices because this would undermine their margins and threaten competition. This wrongly equates the mere existence of rivals with true competition which would put pres-

sure on BT to cut costs and prices

Too expensive

and to improve service.

The essential problem with cable is that it is too expensive, largely because in the UK cables must be buried underground. Cable television currently costs £1,500 per home connected; even if penetration were 100 per cent, the cost would still be about £300. more than a receiver for satellite or for the forthcoming digital television services. In telephony, BT's costs are dropping fast. Moreover. wireless telephony, using radio signals to link with mobile phones or fixed aerials, is emerging as a

cheap way to connect homes. The best argument for cable is that it alone offers interactive capability such as video-on-demand or faster Internet connections. However, digital television may soon offer an avalanche of new channels, approximating to video-on-demand. Meanwhile, the number of Internet users is small, and the group dissatisfied with present services even smaller. Although cable should be able to recoup some costs, the long-term prospect is that rivals, old and

new, will constrain its growth. For years the government has pinned hopes for greater competi-tion in both television and telephony on cable. In the 1991 Duopoly Review it barred BT from entering the broadcast entertainment market in order to improve

cable's chances. There are good reasons for tilting the market towards new entrants, given the dominance of BT's position. But cable's disappointing record offers investors and ministers warnings that should be familiar. For investors, the message is not to draw false parallels with the US. For ministers, once again, it is that they

riday night's bomb in east London has again reminded the world of the capacity of a deter-mined cell of terrorists to destroy years of painstaking political effort in a momentary act of

The only beneficiaries of the outrage are those who for decades have based their political credibility on sectarian strife.

As he prepares his statement for the Commons today, Mr John Major, the British prime minister, might be forgiven for wondering whether the choice he faces is between maintaining the peace process or continuing his government. With a majority of only four, he cannot afford to lose the support of pro-unionist Tory backbenchers and may soon depend on the Ulster Unionists. They will not allow him to hint at concessions to woo Mr Gerry Adams and others in the Sinn Fein leadership in the hope that they can still bring the Irish Repub-lican Army with them.

"That would be a disaster for the prime minister," says a senior Con-servative. "We would not be able to guarantee full backbench support

Yet if British ministers cannot talk to Sinn Fein, it will close the only channel of communication that exists with the IRA. The resumption of the "long war", as republicans dub the armed struggle will begin - with the targets initially on the British mainland.

Even several staunchly pro Unionist Tories, with the benefit of hindsight, point to mistakes by the government over the past 17 months, "We should not have made prior decommissioning of weapons such a bald precondition," says one. "We're not talking about appeasement, but we gained little by boxing Adams so firmly into a corner

Mr Bruton, the Irish prime minister also faces a difficult dilemma. The Dublin government has pres-ented itself as a conduit for Sinn Féin progressive entry into talks. This was predicated on an implicit commitment to exclusively non-violent means which was swept away by Friday's explosion. From late last year, UK intelli-

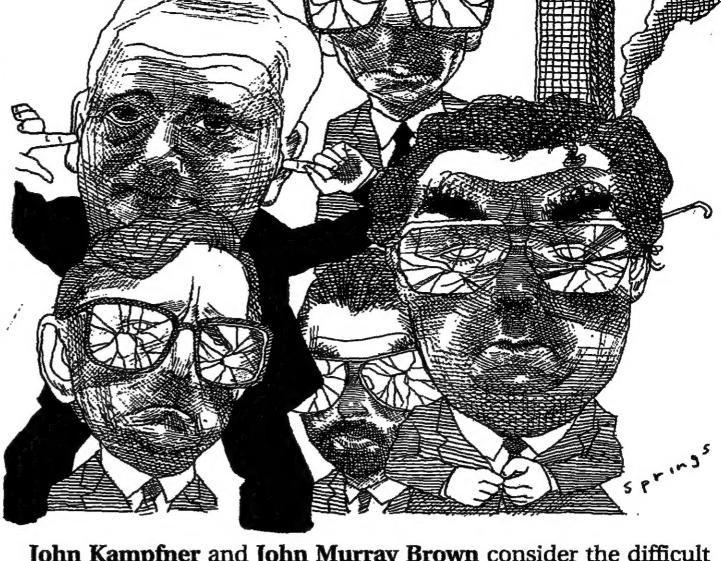
gence reports highlighted growing pressure in the republican movement to abandon the ceasefire. Restlessness has mounted at the IRA grassroots over the slow progress in the peace process. There was dissatisfaction with Mr Adams over his willingness to talk to the British despite tortuously slow progress towards the full-scale negotiations that were seen as the goal.

In recent weeks, local politicians in the north and south of Ireland say a number of IRA members in Monaghan, one of the border counties, defected to the hardline group. Republican Sinn Fein. And loyalist sources claim the IRA was behind the murder last month of Mr Gino Gallagher, leader of the Irish National Liberation Army, another splinter group. The INLA had never signed up to the cessefire and is said to have been winning over disgruntled IRA volunteers in hardline areas of west Belfast.

The crunch appears to have come with the British government's response to the report of the international commission on arms chaired by Mr George Mitchell, the former US senator and aide to President Bill Clinton. Mr Major endorsed the thrust of the report, that set out the means by which decommissioning could be achieved in parallel with talks.

But he chose to focus on the difficulties Unionist politicians would face in joining talks before decommissioning began, He took up the proposal for elections to a constitunal convention put forward by Mr David Trimble, leader of the

Ulster Unionist party.
This was interpreted by republicans as a delaying tactic - one rebuff too far. The Irish government was furious. Mr Dick Spring, the deputy prime minister, accused the British of pursuing a "divide and conquer" strategy.



John Kampfner and John Murray Brown consider the difficult

dilemma now facing the British and Irish governments

## Time to take stock

But Mr Bruton's sense of betrayal by Sinn Féin is palpable. Only last Tuesday he and his coalition partners met a Sinn Féin delegation in Dublin's government buildings.

**COMMENT & ANALYSIS** 

Equally let down by the decision of the IRA army council to return to violence are the moderate nationalists of Northern Ireland's Social Democratic and Labour Party. Their leader, Mr John Hume, believed that, somehow, they could forge a new political consensus through

Mr Hume believed the key to a solution was not the isolation of the extremes, but bringing them into the political mainstream. It was for that reason he sometimes gave the impression of bending over backwards to placate the interests of republicans. His work appears to have been blown apart.

The immediate plan, according to UK ministers, will be to take stock. Mr Major's first priority will be to shore up security at high-profile buildings on the British mainland as well as around politicians and officials responsible for Northern Ireland

In public he will continue his pursuit of elections for a constitutional convention, despite the opposition of nationalists and the Dublin government. That plan, while meeting Unionist demands, appears ever less likely to achieve its goal of getting all the main political parties to

negotiations. The best Mr Major is likely to achieve is a concerted round of talks between the constitutional parties. But the chances now of weaning them away from said. "But we can't do it on our entrenched positions appears more remote than ever.

Mr Bruton will pursue his call for conference on the model of the Dayton accord for Bosnia involving all the parties in the same building. but not necessarily the same room. Neither government's proposal now appears to have enough in it to bring together both nationalists and

r Bruton ma condemn the bomb would be counas yet another hurdle.

For all the secrecy of the inner

could.

clear yesterday that the door remained open to Sinn Féin. He said demands for Sinn Fein leaders to terproductive as they would be seen

Sinn Fein has now been told that if they wish to convey messages to the Irish government, there are means available," he added. "We are not going to give them the sort of political recognition that we would give to parties exclusively using political methods to advance their programme."

workings of the IRA, its purported political representatives were still keen over the weekend to present their case. Prominent among them was Mr Mitchel McLaughlin, representative of the more intellectual wing of the party.

"We are prepared to play our full role in conjunction with others to convince those people who have resorted to the armed struggle that there is an effective alternative." he

own, any more than we could deliver IRA weapons. We didn't control them, we didn't have that power and people are fundamentally mistaken in assuming that we

But the resumption of violence has raised questions about the authority of the Sinn Fein leaders in any future talks. As an Irish member of parliament put it: "Is Adams the monkey or is he the

Mr Adams would lose all credibility within republican ranks if he condemned the bombing. If he knew about it in advance, he would make himself liable to prosecution. In many ways, for both governments it would be preferable if he did know. At least then they could believe that there would be a point in further negotiations.

The alternative, of a disciplined hard core of terrorists beyond the reaches of any political process, would be worse to contemplate. If Mr Adams turns against the military command, British officials believe Mr Adams could risk physical danger from his erstwhile allies.

Nevertheless, Mr Seamus Mallon, deputy leader of the SDLP. suggested Mr Adams would have to choose between the two paths, and risk antagonising the most extreme elements: "They have got to make up their minds." he said. "Are they a semi-detached part of the republican movement which is tied to terrorist violence? Or are they going to move simply and solely into the position of being a democratic polit-

In Northern Ireland not all hope has been lost. The belief is still prevalent that public opinion, pressure on the streets, count for something. "They [the IRA] don't just need activists to light a war. They need the support of the commu-nity," says Mr Alex Atwood, an influential SDLP councillor in Bel-

But others suggest it may be too late. According to Dermot Ahearz, Fianna Fail MP for the traditionally militant republican border area of Dundalk the failure of Sinn Féin to make political inroads has bolstered the IRA. "Ordinary people who have never espoused violence, are saying 'Can you blame them?'," he

The 17 months of ceasefire was perhaps a triumph of hope over reality. The great game was all about all-party negotiations. Even if they had been reached, no-one had a clue about what would happen next. If the aim was to legitimise Northern Ireland as a sovereign part of the UK through the principle of the consent of the majority of the province, then it would run counter to everything the IRA had ever

Lurking behind all the talks about talks about talks was a logical contradiction that nobody was close to overcoming. Yet through out the cease-fire, as long as the process kept inching along, it was possible to be optimistic that a solution might be found. The outlook after Friday's bomb is much

## BSERVER

#### Friedland's lucky strike

Not even the biggest winner of the UK's national lottery has hit the jackpot quite as spectacularly as Robert Friedland. The ever youthful Friedland was a long-haired hipple in the 60s and

a promoter of speculative North America mining stocks in the 80s. Among his brood was Vancouver-based Diamond Fields Resources which, as its name implies, was hoping to strike a motherlode of gemstones. Just 18 months ago, Friedland's 13 per cent stake in DFR was worth little more

than C\$10m (US\$7.6m).

DFR hasn't found many dismonds, but it has discovered a sensational nickel deposit at Voisey's Bay, a remote spot in eastern Labrador. Falconbridge, the Canadian metals producer, launched a C\$4bn takeover bid for DFR last Friday which values Friedland's stake at a cool C\$530m. His nest egg could grow still bigger in coming weeks when other suitors join the bidding, as they are

expected to do. But the news is not all good for Friedland, who holds joint US and Canadian citizenship, lives in Singapore and is constantly on the move. US environmental agencies are probing his role in the mismanagement of a small gold mine in the foothills of the Rockies in the early 90s. Tons of toxic

chemicals seeped into local water supplies. The cleanup bill is expected to reach well over US\$100m. Given Friedland's latest strike, the Americans may be encouraged to try even harder to make him pick up the tab.

Kinkel watch

Life is not easy for poor old Klaus Kinkel. The German foreign minister failed last year to stake out a future for the small liberal Free Democratic party (FDP) and now seems to be loosing his grip on the conduct of German foreign

policy altogether. Chancellor Helmut Kohl's visit to Russia at the end of this week provides telling evidence. It turns out that the foreign ministry heard about Kohl's visit not from the chancellor's office but - yes, you guessed it - from the Russians.

How long Kinkel can go on as foreign minister has been a subject of frequent speculation. However, a growing number of German diplomats are fed up with being Bonn's laughing stock and want a boss who can recover the ministry's former stature.

Retrobution

The US music scene is rife with Retromania - uncovering parts of the past some big names might prefer to forget. Take literary lioness Maya

favourite poet. Her album, Miss Calypso, has just been re-released complete with a cover picture showing a lot of chest and leg. The distinguished author of I know why the Caged Bird Sings, it turns out, was once a night club vamp who fumped on the Caribbean bandwagon set under way by Harry Belafonte's Banana Boat Song in 1957.

Angelou - President Bill Clinton's

However, the potential damage to Angelou's image is nothing compared with the embarrassment facing Louis Farrakhan, leader of the sinister Nation of Islam organisation. He is understood to be busy on a search-and-destroy mission. His target: a disc he cut when he was known as plain Calypso Louie. It is called The

#### Felix the fixer

■ Felix Rohatyn, one of the grand old names of Wall Street investment banking, is being tipped for a job at the US Federal Reserve. A life long supporter of the Democrats, Rohatyn's name often surfaces when there is a big post to fill. However, the odd thing this time

round is that Rohatyn is not being mentioned for the top job at the Fed. The assumption is that Alan Greenspan will be reappointed for a third term even though he turns 70 next month. So why would Robatyn want to be his number

Federal Open Markets Committee It is understandable why President Clinton would like one of his supporters at the Fed in an election year. Rohatyn favours faster economic growth, while Greenspan's tight money policies hamper Clinton's own re-election cts. And with the stock market trading at its current rarefied levels, it is always bandy to have Greenspan's Wall Street skills on hand, in case anything

two? He will not even chair the

financial markets. At 67, Rohatyn may just be willing to face a hostile Senate confirmation and put himself forward for one last tour of public duty. Who knows, he could even step into Greenspan's job after the next election.

unexpected happens in the

#### l'est mate

■ Keith Murray is hanging up his car keys - after failing his UK driving test for the 35th time. The Scottish publisher has spent close to £9000 on 1.450 lessons over the past decade. Keith has now decided not to fill in a 36th test application.

But he insists he is a good driver, blaming his downfall on nerves and bad luck. His first test 10 years ago was a disaster. "It was really awful weather and we ended up following a hearse back to the test centre. I knew that was a bad omen I just didn't realise things were going to get this bad."

## Financial Times

100 years ago.

Greek finances M. Delyanni, the Premier, to-day submitted to the Chamber the Budget for 1896, which places the revenue at 90,804,541 drachma and the expenditure at 90,222,350 drachmas. About seventy bills dealing chiefly with internal reforms were introduced. One of the measures introduced deals with a proposed increase in the gendarmery, which is to be entrusted exclusively with the Referring to the Foreign Debt. M. Delyanni declared that the negotiations for a satisfactory arrangement would shortly be resumed in Paris with the Bondholders' Committee.

#### 50 years ago

Warning on U.S. supplies of lead The Civilian Production Administration has issued a warning to battery manufacturers to conserve lead supplies as far as possible, since it foresees a deficit of 180,000 tons for 1946, Makers of paint. chemicals and tetraethy) lead for petrol will also be asked to conserve supplies. New development work in the United States would ease the tight lead situation, as would the return of workers to the mines and smelters, but the industries' reconversion to peace-time production is slow. Then there is the price problem

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## FINANCIAL TIMES

Monday February 12 1996



Channel tunnel operator to seek mediator for talks with banks

## Eurotunnel plans £400m upgrade

By Charles Batchelor. Transport Correspondent

Eurotunnel, the Anglo-French company which operates the Channel tunnel rail link between Britain and France, plans to spend up to £400m (\$616m) over the next four years improving nger facilities, despite its

This week. Eurotunnel is expected to confirm that it will ask a French court to appoint a mediator - a mandataire ad hoc - to help with negotiations with its 225 banks about refinancing. Eurotunnel suspended interest payments on the debt last Sep-

Its banks have been told that appointment of a mandataire ad hoc would be an informal procedure which did not affect credi-Despite the debt. Eurotunnel order for the two trains within

By Richard Tomkins

medallions.

New York City has decided to

break with one of its oldest tradi-

tions by ending a 60-year freeze

on the number of yellow taxis allowed to ply the city's streets.

For the first time since the number of taxicab licences

was capped in 1937, New York's

municipal government is to

auction 400 new licences, or

The move is expected to raise a

At present the only way to

acquire a medallion in New York

is to buy one from an existing

owner. Scarcity has driven up the

transfer value of a licence to

about \$220,000, and the trade is

served by a thriving network of

medallion brokers, financial insti-

tutions and lawyers.
When first issued, the licences

cost \$10 a year. New York capped

the number at 13,595 in 1937

badly needed \$80m for city funds

over the next 21/2 years.

hopes to spend up to £400m modernising its terminals and expanding its fleet of shuttle trains to achieve an urgently needed increase in passenger

It expects to win the approval of its hanks for projects intended to "tweak" the system and improve revenues. The sums proposed - between £60m and £100m a year - would come from operating income. But they would require annual approval by the company's instructing banks, the 19 banks with which it maintains regular contact alongside the six-

strong steering group. Main items of expenditure would be 16 additional shuttle wagons, expected to be delivered later this year, and two new shuttle trains, to go into service at

because there were too many

taxis for too few passengers.

Over the next few years the number of taxis dwindled to the

present level of 11,787, as many

owners went bankrupt amid poor

Medallions started to gain value after the second world war

as the taxicab business became

more profitable. Since then, fare

increases and rapidly rising pas-

senger numbers have caused

Issuing new licences is a sensi-

tive subject among New York cabbles because it threatens to undermine the value of their

Owners would almost certainly

sue the city if the value of their

investment was noticeably impaired. The city has therefore

adopted a cautious approach, raising the number of medallions

ss conditions.

medallion prices to soar.

existing medallions.

weeks at a price of about £38m, less than half the price per train it paid for its original fleet ordered on its behalf by TML, the construction consortium which built the tunnel.

TML had little understanding of rolling stock and little incentive to bargain hard. Eurotunnel said. The original stock also had to bear development costs. The new order would not be placed with Breda of Italy, which supplied the original trains.

The new rolling stock will be built to a simpler design - props to support each wagon when cars and trucks are loaded have been deemed unnecessary - and will be cheaper to maintain. But it will meet the same safety requirements which added to the cost of the original trains.

Other improvements Eurotunnel plans include develop

by only 3.4 per cent and staging

the increases over 30 months.
It has also countered the effect

of the dilution with last month's

decision to lift fares by 20 per

cent as part of a plan to raise the

quality of the city's taxi service.

30 this year, the second 100 by

June 30 next year, and the final

200 by June 30 1998. Sealed ten-

ders will be invited and the

medallions will be sold to the

At the end of the process the number of cabs will have risen to 12,187. That is still small

by comparison with London's

18,000 black taxis, but New

York's yellow cabs are probably

driven harder: a normal driver's

shift is 12 hours, and most cabs are "double-shifted" - driven 24

highest bidders,

New medallions will be sold in three stages: the first 100 by June Duty-free sales, which include a one-third discount on the prices charged by Eurotunnel's ferry rivals, are to be expanded.

The company also plans to improve facilities for business travellers at its terminals. Business travellers account for about 25 per cent of all journeys. Eurotunnel is considering creating business lounges similar to those at airports.

It hopes to make the journey in the shuttles more interesting, possibly by providing video screens or interactive terminals at which travellers could order from the duty-free shops. Introducing trolleys selling refreshments or duty-free items would be difficult, however, because of the narrow aisles and fire doors between

Spanish link proposed, Page 14

#### **UK** to press New York to end freeze on number of yellow cabs poll plans

the paramilitaries, said attacks on the Irish Republic were "inevitable" if the IRA made more

The Irish Garda police force said yesterday it was "monitor-ing the situation as it develops". Public access to Dublin's ministe-

The cost of the damage caused by the bombing is now put at between £75m (\$115.5m) and £150m by the Association of British Insurers. Many businesses could see their terrorism insurance costs increase by as much as two-thirds following the bomb. Stewart Dalby in London writes: More IRA violence in mainland Britain or Northern ireland could severely damage the province's recent economic revival, business leaders and

for the UK as a whole. Unemployment, traditionally

Mr John Simpson, a leading economic commentator, esti-

## ahead with Continued from Page 1

strikes in mainland UK.

rial offices has been restricted.

Northern Ireland has been enjoying an economic recovery in the 18 months since the IRA ceasefire, with gross domestic product rising more quickly than

higher than for the UK generally. is at IL4 per cent, the lowest since 1981. Tourism is booming, with arrivals this year expected to top 1.5m - more cent up on 1994.

The Northern Ireland Industrial Development Board said inquiries from potential investors compared to a year ago.

mates there could be 20 new for-eign investment projects this year, valued at between £500m and \$600m and implying the creation of 5,000 to 6,000 new jobs. will be an increase in security costs. The net cost of Northern Ireland to the British taxpayer is £3.5bn a year, of which £800m

## **Body parts**

Continued from Page 1

BloHybrid, said his group had developed an artificial pancreas that may revolutionise current therapy for diabetes". BioHybrid takes insulin-

producing "islet" cells from pigs and encapsulates them in a halfpermeable plastic membrane. This protects the cells from destruction by the human immune system but still allows them to take in nutrients from the bloodstream and give out

The encapsulated cells would be injected into the patient once or twice a year. "We have successfully used this technology to 'cure' diabetes in rodents and dogs," Dr Lanza said.

Europe today

Low pressure will move slowly from

Northern Ireland to the south-east. The UK will have moderate rain followed by wintry

showers, but Scotland will have drifting

snow on high ground. The coastal areas

will have near gale or gale force winds. The Benefux and western France will have

temperatures. The rain will spread rapidly eastward turning into sleet and snow over

Germany and Denmark. The Alps and the Pyrenees will get a fresh blanket of snow. Rainy conditions are expected over

northern Spain, southern Italy and Greece

while south-eastern Spain will have surny periods. Eastern Europe will remain cold while western Russia will have some light

Wet conditions with rain, sleet and snow will gradually move into south-easter Europe. Italy will become especially wet as the week progresses. The UK, the Benetux, Germany and northern France will see wintry showers diminish followed by a few

week, westerly winds will bring milder air.

cold and calm days with sub-zero temperatures at night. At the end of the

Five-day forecast

windy and wet weather with seasonal

#### Japan and S Korea in dispute

Lifting of 1937 regulation expected to

raise \$80m for hard-pressed city funds

Continued from Page 1

d, under the United Nations convention on the law of the sea. The disputed island is surrounded by rich fishing grounds, which are of growing interest to Tokyo as Japan's fishery stocks become depleted.

The Japanese foreign ministry last week issued a formal protest demanding that South Korea cease plans to construct a wharf on the island,

Tokyo claimed that the islands are "historically and in view of international law, an integral part of Japan. The move is extremely regrettable

The most recent chill in Japanese-Korean relations began with last year's statement by Mr Tomiichi Murayama, then Japanese prime minister, that the treaty for Japan's annexation of the Korean peninsula from 1910 to 1945 was technically valid. Mr Kim snubbed Mr Murayama in response by cancelling a planned summit with him. Mr Ryutare Hashimoto, who succeeded Mr Murayama last

month, draws political support from the right wing and war veterans' families and has gained popularity for promoting a diplomatically assertive Japan.

The "Tok-do issue" is also provoking nationalistic fervour in South Korea, where anti-Japanese feeling is strong. Mr Kim has gained support across the political spectrum for his strong stand on the island dispute.

# FT WEATHER GUIDE LOW

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#### THE LEX COLUMN

## Media machinations

The Byzantine manoeuvring over who will dominate German pay-television is reaching fever pitch. Last week saw Mr Leo Kirch, the Bavarian mogul. snap up the lion's share of the TV rights to German football and splash out a reputed DM1bn-plus for the German-language rights to all Columbia Tristar's movies for the next decade. Mr Kirch is also indicating that he may introduce his own technology for pay-TV via satellite, overturning an earlier deal to join a venture led by

Bertelsmann and France's Canal Plus. Mr Kirch's rivals have not been idle.

Havas, the French media conglomerate, has launched a Fr4bn convertible issue - which would come in handy if Canal Plus and Luxembourg's CLT, in both of which Havas holds stakes, carry out their threats to launch competing German pay-TV services. One way of stopping that would be for Havas to buy out GBL of Belgium's controlling stake in CLT. Indeed, the Machiavellian interpretation is that GBL is pushing CLT to compete with Canal Plus with precisely that aim in

That may also explain the rumours that CLT is on the point of cutting a deal with BSkyB, Mr Rupert Murdoch's UK satellite group. While Mr Murdoch certainly wants to muscle in on the German pay-TV market, an alli-ance with CLT is just one option. Nev-ertheless, if CLT did secure Mr Murdoch as a partner, it would become a more credible threat to Canal Plus's venture and so increase the pressure on Havas to pay a handsome premium for GBL's CLT stake.

Why this jockeying for position? Because Germany's embryonic pay-TV market is potentially the largest and most profitable in Europe. So far there is only one pay-TV channel, Premiere, controlled by Bertelsmann/Canal Plus, in which Mr Kirch has a minority stake. But digital satellites capable of beaming dozens of new channels could

bring an explosion in demand. The market is also fairly open. Nobody has yet cornered it, unlike BSkyB in the UK and Canal Plus in France. The most attractive film and sports rights are split between Mr Kirch and Bertelsmann. Meanwhile, CLT hopes to build a pay-TV business on its RTL subsidiary, Germany's most popular "free-to-air" broadcaster - though Bertelsmann, also a big RTL shareholder, is fighting to wrest away control. As for Mr Murdoch, he brings to the table not only BSkyB's exper-tise in pay-TV but also Vox, a smallish German channel in which BertelsShare price relative to the CAC 40 Index

mann and Canal Plus hold minority stakes. The most logical outcome might seem to be a grand consortium including all parties - Bertelsmann, Canal Plus, CLT, Mr Kirch and Mr Murdoch. A monopoly, after all, would be best for profits. Everybody is aware that it was only after BSB and Sky stopped their vicious competition for programming rights and merged into BSkyB that the venture became the money-spinner it is today.

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The snag is that it is hard to persuade five media baronies to work as a single consortium. Not only does each want to be in the driving seat; if the profits have to be split five ways, individual slices would be relatively small. Individual shares could be bigger if one or two groups could be safely left out in the cold. But the risk is that cut-throat competition would then develop - though that might not be a bad thing for consumers.

#### Russia

For the Russian government to announce plans for its first Eurobonds, months before a presidential election in which the Communist party has a chance of success, took chutzpah. It is not certain the bonds will actually be issued before the elec-tion, but Friday's vague announcement focused the market's mind. If a pre-election Eurobond issue is feasible which many think it is, three-year dollar-denominated bonds would proba-bly yield about 10 per cent, a touch more than Mexico pays. Not surpris-ingly, the yield of 18 per cent on Russia's existing MinFin bonds suddenly looked seriously overdone, given that the only difference between the two is that MinFin bonds cannot be redeemed outside Russia. The resulting sharp reduction in three-year Minequally sharp increase in the market's

faith in Russia's government. Of course, buying Eurobonds before the election means taking the risk that interest payments to foreigners may not be a high priority for a Com-munist-led government. This risk is real but small. A Communist victory is far from a foregone conclusion. Signs of populism from Mr Boris Yeltsin, much as they may unsettle reform enthusiasts, are no bad thing from this point of view. Nor is it obvious that even a Communist president would default on Eurobond repay. ments - especially since, despite its troubles, Russia has never defaulted on the Eurobonds issued in the Soviet era. But at their present yields, inves-tors who believe all this would proba-bly still be better off buying MinFin bonds instead.

#### Allied Domecq

Allied Domecq has become the stock market's latest demerger candidate Following last week's profits warning shareholder patience with the group i wearing thin. Allied's shares have underperformed by more than 40 per cent over the past four years, while earnings per share will be lover it year than in 1992. Investors are hoping the highly respected Sir Christophe Hogg, who takes over as chairman i April, will shake things up. If it wer not for that prospect, the shares wool be even lower.

The case for a demerger is simply there is no industrial logic in combin ing an international spirits business with a UK pubs operation. On its own each could attract a bid premium Though relatively weak in whisky and cognac, the spirits division is strong in tequila and sherry; it is also well-en trenched in Latin America. Guinness. Seagram and Grand Metropolitan would all be able to strengthen their product ranges and make savings by buying Allied and closing down mos of its distribution network. Mean while, Allied's UK pub estate could be attractive to a number of brewers.

Even if Sir Christopher baulks at break-up, he could at least sell the retailing division. That would allow the group to repay its £1.6bn debts and invest more in its neglected spirit brands. A smaller, cash-rich Allier might also be an attractive recovery stock. Either way, City calculations of a 700p break-up value against a car rent share price of 515p point to considerable hidden value.

These announcements appear as a matter of record only. January 1996



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Courtaulds plc and

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Disposal Amtico Company Limited through a Management Buy-Out

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